

JPRS 84852

1 December 1983

China Report

ECONOMIC AFFAIRS

No. 403



FOREIGN BROADCAST INFORMATION SERVICE

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CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

- Wuxi Forum Discusses Sun Yefang Economic Theories
(XINHUA, 10 Nov 83) 1
- Comprehensive Economic Restructuring in Chongqing Reported
(Zhao Guoliang; CAIJIAN KEXUE, No 3, 20 Aug 83) 4

AGGREGATE ECONOMIC DATA

- Xinjiang Industrial, Agricultural Output Up
(XINHUA, 4 Nov 83) 14
- Briefs
- Nei Monggol Revenue Overfulfillment 15
 - Shanxi Industrial Output 15
 - Shandong Income Increase 15

ECONOMIC MANAGEMENT

- Conference on Quality Control Held
(Wang Xuanqing; SHICHANG ZHOUBAO, 26 Jul 83) 16
- Factory Managers Hold Research Conference
(Zhang Ying; TIANJIN RIBAO, 9 Jul 83) 18

FINANCE AND BANKING

- Conference on Financial, Taxation Work Held
(Jiao Guoxiang; HEBEI RIBAO, 24 Jul 83) 20
- Bank of China's Status in International Banking Circles
(Mei Yachu; JINGJI RIBAO, 20 Aug 83) 25

Strengthen Control of Rural Currency Circulation (Gao Yongyi; JINGJI RIBAO, 29 Aug 83)	27
Substitution of Tax Payment for Profit Delivery Discussed (Yan Yuansuo; SHANXI RIBAO, 17 Jul 83)	28
Concentrating Resources on Key Construction Projects (Editorial; JINGJI RIBAO, 27 Jul 83)	31
Briefs	
Tax Plan Overfulfilled	33
INDUSTRY	
Low-Alloy, Alloy Steel Production Progress Stressed (Li Dongye; GANGTIE, No 6, Jun 83)	34
Speedy Production of Low-Alloy, Alloy Steel Urged (Fang Yi; GANGTIE, No 6, 1983)	43
Gansu Produces More Raw, Other Materials (XINHUA, 5 Nov 83)	55
Seven Satellite Cities Grow Up Around Shanghai (XINHUA, 6 Nov 83)	56
Briefs	
Shandong Construction Progress	58
CONSTRUCTION	
Mayor Urges Tianjin To Complete Construction Work (TIANJIN RIBAO, 30 Jul 83)	59
Indiscriminate Fees for Construction Units Handled (Yu Chunqun; NINGXIA RIBAO, 17 Jul 83)	61
Briefs	
Dalian Pier	63
DOMESTIC TRADE	
Market Management Must Facilitate Commodity Circulation (Gong Xiaolan; RENMIN RIBAO, 25 Sep 83)	64
Guidance, Control of Individual Economy Discussed (Jia Jianguo; JINGJI RIBAO, 20 Jul 83)	67
Problem of Fake Trademarks Discussed (JINGJI RIBAO, 30 Aug 83)	71

Rampant Price Hikes in Means of Production Must Be Checked (Kong Min; GUANGMING RIBAO, 11 Sep 83)	74
Indiscriminate Collection of Construction Fees Reported (Chen Libo; JIEFANG RIBAO, 19 Jul 83)	76
Shanghai Economic Zone Actively Planned (Yao Shihuang; WEN HUI BAO, 17 Aug 83)	78
Policy Problems in Implementation of Urgent Notice (NINGXIA RIBAO, 15 Jul 83)	81
Conference on Control of Village Fair Trade Reported (Wu Ling, Shen Gongxiang; NANFANG RIBAO, 31 Jul 83) ...	83
FOREIGN TRADE	
New Company Aids Tianjin's Industries (Hao Zhaoguang; TIANJIN RIBAO, 8 Jul 83)	86
New Development of China-East Europe Trade (Yi Shi; JINGJI RIBAO, 26 Aug 83)	88
LABOR AND WAGES	
Self-Employment Grows in Liaoning, Guangxi (XINHUA, 5 Nov 83)	89
TRANSPORTATION	
Briefs Railway Expansion for Shanxi	90
GENERAL	
Economic, Financial Theoretical Problems Discussed (Xu Yi; CAIZHENG YANJIU, No 4, 31 Jul 83)	91
Rate of China's Economic Development Analyzed (Zhong He; JINGJI RIBAO, 1 Aug 83)	100
Geographer Proposes Division Into Economic Regions (XINHUA, 7 Nov 83)	104
Interregional Economic Cooperation Stepped Up (XINHUA, 8 Nov 83)	105
XINHUA Interviews Xinjiang TU Official (XINHUA, 30 Oct 83)	107

JINGJI GUANLI Discusses Responsibility System (Wang Jue; JINGJI GUANLI, No 10, 5 Oct 83)	110
Theory of Chinese-Style Economic System (Wang Zhuo; JINGJI GUANLI, No 10, 5 Oct 83)	118

NATIONAL POLICY AND ISSUES

WUXI FORUM DISCUSSES SUN YEFANG ECONOMIC THEORIES

OW100212 Beijing XINHUA in English 0052 GMT 10 Nov 83

[Text] Beijing, November 10 (XINHUA correspondent Zhang Xijun)--The theories of a late Chinese economist relatively unknown to Westerners are playing an important part in the present drive to invigorate China's economy.

Sun Yefang's theories were discussed at a recent forum held by Chinese economists in his home town Wuxi City, Jiangsu Province, in response to his dying wish.

The former honorary director of the Institute of Economics of the Chinese Academy of Social Sciences provided the theoretical basis for such key developments as stress on improving economic results, transforming old enterprises and strengthening management, which now have top priority in China's economic work.

The theory of value is the core and cornerstone of Sun Yefang's theoretical system. It differs from the traditional concept of value. Apart from commodity value and the law of commodity value, it includes what he described as product value and the law of product value, which he considered very important in a socialist economy.

Sun Yefang urged that planned socialist economy be built on the basis of his theory of value, that is, product value must be precalculated carefully to produce the maximum amount of products needed by society and to minimize the consumption of labor and materials.

He called special attention to the danger of a lopsided emphasis on speed, output and output value to the neglect of actual benefit to society in China's economic development.

The Chinese Communist Party has summed up China's post-liberation economic experience and drawn the necessary lessons from the past. Instead of stressing speed, it now explicitly makes improved economic performance the fundamental guiding principle for socialist construction. This is bringing greater benefit to the state and the people's standard of living.

Another important contribution of Sun Yefang's was his theory on the restructuring of economic management which he put forward as early as the fifties. However, for many years this problem was overshadowed by the transformation of the system of ownership and left unresolved. Economic performance was unsatisfactory and other knotty problems arose.

The key to reform in Sun Yefang's view lies in the formation of a correct relationship between the state and the enterprises, that is, the relationship between centralization and decentralization, and he called for a clear demarcation of the powers and responsibilities of enterprises. What the optimum relationship should be continues to be a point of controversy among Chinese economists.

Production based on original state investment in fixed assets, Sun Yefang held, should be within the power of the enterprises. He called this the "lesser power." Additional state investments to expand production should be within the power of the state. This he called "greater power."

He maintained that enterprises should not turn their depreciation funds over to the state treasury as had been done in the past but should be allowed to retain and use them, with the state collecting only profits from the enterprises.

Such demarcation of the powers of the state and the enterprises would avoid both excessive centralization which trammels their initiative and makes the economy as a whole rigid, and prevent excessive decentralization which would throw the economy into disorder.

Speakers at the recent forum attributed successful efforts to reform management in the state and collective sectors in recent years to the soundness of Sun Yefang's viewpoints.

Sun Yefang also held that, for China to quadruple total annual industrial and agricultural output value by the year 2000, reliance should be placed mainly on improving the several hundred thousand enterprises already in existence rather than on setting up new ones.

In the past thirty years or so, China pinned its hopes for economic growth mainly on establishing new enterprises, letting the majority of old enterprises carry on with outdated techniques and equipment.

The rate of depreciation of fixed assets, Sun Yefang proposed, should be raised from around four percent, as had been the case, to ten percent so as to accelerate the renewal of equipment and the adoption of more advanced techniques.

China has now made step-by-step technical transformation of selected key enterprises an important principle and practice in economic development.

While affirming the significance of Sun Yefang's theories, many economists raised questions, especially concerning his theory of value.

One criticism was that Sun Yefang did not sufficiently allow for the commodity nature of China's socialist economy, the law of commodity value and the role of the market which are still regulative factors in China's economy. At the same time, he overestimated the tendency toward equality between price and value and people's consciousness in using this tendency to regulate economic activities in a socialist society.

Sun Yefang studied in the Soviet Union and devoted his energies to the theoretical classification of China's economic problems. He became a target of severe criticism and was persecuted as a "revisionist" in the sixties and early seventies. He was rehabilitated politically after the "cultural revolution" and his economic theories once again drew the attention of government and academic circles.

Sun Yefang was born on October 24, 1908, and died of cancer on February 22, 1983. He was a member of the Central Advisory Commission of the Communist Party of China and advisor to the Economic Research Center of the State Council.

CSO: 4020/028

NATIONAL POLICY AND ISSUES

COMPREHENSIVE ECONOMIC RESTRUCTURING IN CHONGQING REPORTED

Chengdu CAIJIAN REXUE [FINANCE AND ECONOMICS] in Chinese No 3, 20 Aug 83
pp 43-48

[Article by Zhao Guoliang [6329 0948 5328]: "A New Stage in the Development of Economic Restructuring--Notes on the Investigation in Chongqing's Comprehensive Economic Restructuring"]

[Text] In a certain sense, Chongqing's comprehensive economic restructuring is an epitome of the national economic restructuring and a reflection of the new features of the current reforms. It marks a breakthrough in three aspects. First, it has developed from a reform in the system of enterprise management to a reform in the macroeconomic system including the superstructure, or a synchronized reform. It is also a serious attempt to explore a new way characterized by the combination of departmental and regional affiliations, the combination of urban and rural areas, and the combination of military and civilian industries, all through the economic centers. Second, it has developed from a reform mainly in distribution to a reform in production, circulation and technology. In other words, stress is now laid on the need for economic reform to help develop production and improve the social economic results. Third, it has developed from profit retention in various forms in the relations of distribution to "paying taxes in lieu of turning in profits" thus clarifying the basic orientation of the relations of distribution between the state and the enterprise.

This article will attempt to study the great significance in Chongqing's comprehensive economic restructuring and to present some personal views on the new contradictions now emerging.

1. Setting Up Economic Centers Is a New Way To Solve the Contradiction Between Departmental and Regional Affiliations

Chongqing's gross industrial output value accounts for 9 percent of the gross industrial and agricultural output value of the entire municipality, its net industrial output value accounts for two-thirds of the total national income of the municipality, and the gross output value of national production created by the industrial branches accounts for three-fifths of the gross national output value of the municipality. It is a large

Industrial city with a fairly well-developed economy and a complete assortment of industrial branches. It is precisely because of this that it has become a focus in the complex contradiction between departmental and regional affiliations under the existing system. For the same reason, its defects in management are also most keenly felt, as we can see below:

(1) The industrial fixed assets owned by Chongqing account for one-fifth of those of Sichuan and one-seventh of those of the Southwest. Its gross industrial output value amounts for one-quarter of that of Sichuan and one-fifth of that of the Southwest. Its revenues account for 28 percent of those of Sichuan and one-fifth of those of the Southwest. Furthermore, because of its location at the merging points of the Chang Jiang and the Jialing River, and of the Mangdu-Chongqing Railway (annual traffic capacity 6 million tons), the Sichuan-Guizhou Railway (annual traffic capacity 4 million tons) and the Jiangyang-Chongqing Railway (annual traffic capacity 7 million tons), it has objectively become the economic center of the Southwest and the upper reaches of the Chang Jiang. However, since only the administrative zone substitutes for the economic center, Chongqing's economic activities are being restricted within very narrow limits and the sources of its industrial raw materials as well as the market for its products are confined to the eastern Sichuan region. Its natural economic ties with Yunnan, Guizhou, southern Shaanxi, southern Gansu, western Hubei and northern Yunnan have been gradually severed. This handicaps the economic development of not only Chongqing, but also of Sichuan and the Southwest.

(2) Chongqing is closely related to some provinces in production. The overwhelming majority of Chongqing's industrial products, particularly its heavy industrial products, are orientated to the whole country. There are 89 offices and purchasing-marketing agencies set up in Chongqing by units in various parts of the country. The supplies transported to Yunnan and Guizhou by the Service Co and the Metal Materials Co under the Chongqing Municipal Supply Bureau each year total 736,000 tons, and the volume of mechanical and electrical appliances transported to Yunnan, Guizhou and other regions amounts to more than 60 million yuan in value. In 1960, the total value of industrial goods for daily use transported from Chongqing to other provinces and municipalities amounted to 1,275,000,000 yuan. All these figures show that Chongqing's economic activities have in fact transcended the boundaries of administrative zones. According to the original system of planning, Chongqing is not recognized as a unit having the power to work out a comprehensive development plan. It cannot participate in national planning meetings, goods-ordering meetings or other national meetings of a special economic character. In other words, Chongqing's plan of economic development are not directly included in the national planned balance. This is entirely a system of national planned balance based on administrative chains of command according to departmental and regional affiliations, and, as a result, the economic centers and the large industrial bases cannot have the necessary power of decisionmaking, policy decision or coordination in planning for commerce, material supply, capital construction and finance. They are powerless to break down the fetters of "departmental ownership" or "regional ownership" in order to organize their production in a unified way according to the requirements of specialization and coordination, to organize commodity circulation according to a rational flow, or to obtain good economic results for the

society. (3) Because of the ministry-bureau-enterprise administrative chain of command in industrial management, the enterprises in the Chongqing economic zone are separately affiliated with tens of ministries and more than 100 bureaus. There are 67 "heads" in the machine-building industry alone. These departments can arrange for the production and ordering of goods and organize the supply of single-line materials directly on behalf of the enterprises and without going through the economic centers. Thus among enterprises of different affiliations, there are increasing signs of insurmountable barriers, duplicate layouts, duplicate construction, and "large and complete" and "small and complete" units. The innate economic power necessary for the formation and development of economic centers is thus gradually lost.

To solve these problems, the first thing to do is to reform the system of planning. We should treat Chongqing Municipality as a planning unit at the provincial level to be included in the national plans. In essence, this does not mean the addition of another administrative region to the 29 administrative regions we already have. On the other hand, we should faithfully recognize the position occupied and the role played by the Chongqing economic center, treat it as a relatively independent economic entity of national significance; include the economy, science and technology [S&T], culture, broadcasting, television, publication, the press, sports, population, town-building, environmental protection and other activities of the Chongqing economic zone directly in the national plans and then subject them to national balancing. This will liberate the Chongqing economic zone from the narrow confines of "departmental ownership" and "regional ownership" so that it will be able to meet the objective needs of large-scale socialized production and to help in the development of the superiority of socialist commodity production and circulation. Second, along with its inclusion in national plans, the Chongqing economic zone should be given the power of economic management as a unit at the provincial level in working out its own plans, in management and in coordinating economic activities. Expanding the power of central cities in policy decisions, management, organization and coordinating economic activities is a necessary precondition for overcoming the dislocation of departmental and regional affiliations and to accomplish the combination of these affiliations, the combination of urban and rural areas, and the combination of military and civilian industries. Through these reforms, the Chongqing economic zone will have more power in the following respects: (1) The plans of the enterprise in Chongqing Municipality (including those of higher levels), after a comprehensive balancing by the municipal planning commission, will be forwarded in a unified way to the higher authorities. The plans of the central authorities will be passed down to the lower levels through the "funnel" of the municipality, and the enterprises will be no longer required to deal with the "mothers-in-law" of the scores of different departments. The economy in the whole economic zone will then develop in harmony. (2) On the premise of following overall national planning and guaranteeing the fulfillment of state plans, the Chongqing economic zone will have the power to determine the orientation of production, the product mix, the geographical distribution, the supportive cooperation, the reorganization and the combination of the small and

medium enterprises in accordance with rational economic principles. This will strengthen the cooperative division of work in the economic zone and create the prerequisite for improving economic results. (3) All enterprises engaged in military industry in Chongqing should actively and far-sightedly determine the orientation of their production in serving civilians in accordance with the requirements of national economic development and with their own specific conditions. Plans for producing civilian goods will be made after joint discussion by the Ministry of Ordnance Industry and Chongqing Municipality, and then included in the ministry's annual and long-range plans. The technologies of casting and forging, heat treatment, electroplating and model manufacturing, and the means of measurement, calculation and testing of the military industrial enterprises should no longer be kept secret, and should be used in the technical cooperation in production in the Chongqing economic zone. Chongqing Municipality should also make unified arrangements for the use of the surplus productive forces, while the equipment for experiments and research, and the S&T resources of the central enterprises and their affiliated scientific research organs and of the universities and vocational colleges should be placed at the unified disposal of Chongqing Municipality for coordination in production, for producing in complete sets and for tackling key problems in S&T. This is in fact a new management system embodying the combination of military and civilian industries, combination of departmental and regional affiliations, and overall planning under the guidance of state plans. (4) Guided by the state's energy policy, Chongqing Municipality should have the power of arrangement, disposition and distribution of various types of energy and the power to examine and approve the supply, or to terminate the supply, of energy to consumers. (5) To stimulate circulation and to avoid detours in transportation, the materials required by all enterprises in Chongqing should be supplied and regulated in a unified way by the municipal supply department. The balancing, the equalization through transfers and the adjustment of varieties should also be carried out locally. When materials are distributed to Chongqing by the central authorities, whatever can be produced in Chongqing should be allocated according to a quota system and supplied locally. (6) Provided the tasks of production and construction, of delivering commodities and revenues to the higher levels as required by the state are completed, Chongqing Municipality should have the power of overall coordination in the use of such economic levers as finance, tax, credit, prices and wages in improving the economic results.

It must be emphasized that the significance of all these reforms does not concern Chongqing Municipality alone, since this is essentially the exploration of a new way to organize and manage the economy of the entire country under the guidance of state planning, with the large and medium cities at the bases, and through the economic centers of various types and various levels. The main points of this new way are: to stress the need to expand the decisionmaking power of the central cities in economic management while recognizing and continuing to develop the necessary role of departmental and regional affiliations in administrative management; to reform the system of management under which economic organizations are treated as an

appendage to the administrative organizations and the internal and external relations of the economic centers are severed by administrative zones; to break down the restrictions of departmental and regional affiliations in order to organize production and circulation in accordance with the objective requirements of large-scale socialized production as well as the production and exchange of commodities; to set up national economic networks through large and small mutually infiltrating and promoting economic centers, and so forth. The purpose is to make use of manpower and material and financial resources in the most rational way throughout the whole society, to improve the social economic results and to speed up the building of the type of socialism that has special Chinese characteristics.

II. "Paying Taxes in Lieu of Turning in Profits" Is a Basic Measure To Correctly Handle the Relationship Between the State and the Enterprise

Basically, "paying taxes in lieu of turning in profits" means substituting payment of taxes instead of profit delivery by the state-run enterprises. This is an important reform in the relations of distribution between the state and the enterprise. However, the significance of paying taxes in lieu of turning in profits, viewed in the context of Chongqing's comprehensive economic structure is even greater. In other words, unless we pay taxes in lieu of turning in profits, we cannot break down the restriction of "departmental and regional affiliations," cannot develop the economy in a unified and harmonious way according to the requirements of large-scale socialized production, and cannot establish real economic centers.

First, "paying taxes in lieu of turning in profits" will enable the enterprises to break down the restrictions of departmental and regional affiliations and lay the foundation for organizing production and circulation rationally and for developing specialization and cooperation. When the enterprise's profits are turned over to the tax departments in the form of taxes at the legally established rates, the relationship of profit delivery or profit sharing between the enterprise and the administrative departments in charge or the administrative zone no longer exists. The departments and regions will no longer be so keen on their partial interests from "departmental ownership" or "regional ownership," and there will be less unnecessary administrative intervention in the enterprises' production and business activities, and no more blind competition for investment arising from such intervention. The old practice of undertaking unplanned capital construction projects and going in for what is "large and complete" or "small and complete" may also cease. This is a forceful measure to overcome the contradiction between departments and regions and to strengthen the overall balance.

Second, "paying taxes in lieu of turning in profits" is the way to classify different types of taxes and to determine the relations of financial receipts and payments between the central and the local governments, as well as a necessary prerequisite for the separation of government from enterprises. By "paying taxes in lieu of turning in profits," the governments at all levels will levy taxes from the enterprises only through the tax departments; and by "classifying different types of taxes," the governments

at various levels will have definite sources of financial revenues. Given these two conditions, the administrative departments will be able to free themselves from the perplexing routines of production, supply and marketing in enterprise management and to concentrate their energy in studying general and specific policies, and in working out measures and implementing them. Some comrades worry that under such conditions, the administrative departments will lose their actual economic control over the enterprises, resulting in anarchy. This is a misunderstanding. This reform is only concerned with the system of economic management in socialist countries and not intended for the abolition of the function of socialist countries in economic management. Through this reform, the governments at all levels will be able to make better use of such economic levers as finance, credit, prices and wages to enforce the state's financial and economic systems more firmly and to strengthen their supervision and control over the enterprises' production and business activities so as to lead the enterprises in creatively developing their production by upholding the socialist orientation. In future, the enterprises' activities in production and circulation will be mainly conducted according to the enterprise-company-trade-economic center pattern under the guidance of state planning. According to the vision of Chongqing Municipality, a Chongqing economic center control and coordination committee will be formed after a fairly long period of preparation. This committee will be separated from the Chongqing municipal government in the management of concrete economic matters. Although still only a vision, it nevertheless shows a possible way to reform the economic management organs.

Third, "paying taxes in lieu of turning in profits" is a reliable method of guaranteeing the major portion for the state, the medium portion for the enterprise and the lesser portion for the individuals. In handling the distribution between the state and the enterprise, the expansion of decision-making power for the enterprises and the various forms of responsibility for profits can all play a positive role in negating the system of unified receipts and expenditures. As proved in practice, however, this "responsibility" is not an orientation for industry. If the contracted base quota is set too high, the enterprise's enthusiasm will be dampened; if set too low, it will affect the state's revenues. Even in the case of a fairly rational base quota, some enterprises may still try every possible way to reduce the margin of increase in production in order to lower the base quota for the next period, thus artificially obstructing technical progress and the development of productive forces. Besides, the basic problem of contracted responsibility is that the major portion for the state and a sustained increase in revenues cannot be guaranteed. For example, an enterprise may have realized a profit of 540,000 yuan in the previous year; its contracted responsibility in the current year is for 550,000 yuan; and its actual profit is 700,000 yuan. The result is that the entire amount of 150,000 yuan belongs to the enterprises. This problem would remain even though the method of progressive responsibility used in the Shoudu Iron and Steel Co is adopted, since the rate of progressive increase, once set, will remain in force for years, and the state may still fail to get the major portion of the profits realized above the progressive increase rate. In comparison, paying taxes in lieu of turning in profits has a

basic strong point because it first guarantees the relationships among the major, medium and lesser portions for the state, the enterprise and the individuals in the distribution of profits according to the stipulated tax rate. "The ship rises at high tide." Similarly, whenever the enterprise's profits are increased, the state will continue to receive the major portion. The large and medium enterprises are for the time being paying taxes as well as turning in profits. Since the taxed portion is gradually increasing, this system still retains some basic merits. For example, under the current system in Chongqing Municipality, if an enterprise's profit during the current year is the same as the base quota for 1982, then, after paying 55 percent of it in income tax and retaining 20.19 percent of the profit, the remaining 24.81 percent will entirely go to the state as regulatory tax. This way, the state will have 80 percent of the profits. If the enterprise's profit for the current year exceeds the 1982 base quota, then, out of the excess portion, 55 percent has to be paid as income tax and 20.19 percent has to be retained by the enterprise. The regulatory tax of 24.81 percent for the state will be reduced by one-half, or reduced to 12.4 percent. In this event, the state will still receive 12.4 percent in addition to the 55 percent, or a total of 67.4 percent, which is still the major portion.

One noteworthy point is that at present, some enterprises in Chongqing are unwilling to pay taxes in lieu of turning in profits and are insisting on using the former method of expanded decisionmaking power. The reason is that at the time when the decisionmaking power for these enterprises was expanded, their retained shares of profits were generally more than 30 percent, while, according to the present method of paying taxes in lieu of turning in profits, the large and medium enterprises in Chongqing can retain 20.19 percent, which is lower than the former profit level. This reduction naturally produced a feeling of "urgency" among these enterprises. I feel that this feeling of "urgency" can be beneficial to the economic restructuring and the reform in enterprise operation. As long as the enterprises can transform this "urgency" into vitality and strive for more above-quota profits, they will have great hopes of obtaining reasonable benefits from the surplus portion. The legitimate interests of enterprises are respected in economic restructuring, but the benefits obtained under the previous system cannot be unconditionally protected. Above all, the abnormal phenomenon of increasing the bonuses of workers and staff members despite lower labor productivity can never be tolerated. All partial and individual interests can be obtained only as long as the increase in state benefits is maintained. This is precisely the socialist principle embodied in "paying taxes in lieu of turning in profits," and this is where the strong vitality of the new system lies.

III. Views on Several Problems in the Progress of Chongqing's Comprehensive Economic Restructuring

This restructuring is a pioneering undertaking, and some new contradictions will be unavoidable. For example, since the purpose of the restructuring is to set up the Chongqing economic zone, the problem of correctly handling the relationship between the Chongqing economic center and Sichuan in

economic development will become more acute. Furthermore, since this restructuring is carried out hand in hand with "paying taxes in lieu of turning in profits," there is the problem of correctly handling the relationship between paying taxes in lieu of turning in profits," on the one hand, and the expansion of decisionmaking power and the system of industrial economic responsibility, on the other. There is also the problem of correctly handling the relationship between restructuring and economic results, on the one hand, and restructuring and technical advancement, on the other, since the purpose of the restructuring is to improve economic results.

First, we must clearly understand that the purpose of restructuring is to improve economic results.

There is no need to demonstrate the importance of this problem by showing its consequences, since it is already deeply felt by people during the present series of reforms. The economic results of the industrial and communications enterprises in Chongqing is rather poor, and many of their economic norms are below the average national level. The average profit for every 100 yuan's output value in the country is 16 yuan, but that of Chongqing is only 9.5 yuan. Unless there is some great breakthrough during the restructuring, many plans for reform now under discussion will be futile in practice. For example, according to the estimate of some relevant departments, Chongqing will require 400 million yuan as technical transformation funds, out of which, 200 million yuan will have to come from loans. However, according to the current level of economic results, Chongqing's capacity for redeeming loans is only limited to 70 million yuan. This will make it difficult for the banks to extend loans. Unless the problem of funds is solved, the plan for technical transformation will be abortive. In the case of industrial-commercial integration, to cite another example, if the enterprises' economic results are so poor, the quality of their products is so low, and prices are so high that their products cannot be sold for lack of competitive power, there will be no profit for commerce to share with industry, and the industrial-commercial integration can hardly be preserved. In the experimental reform in wages, as a further example, the wage fund also has to be increased by a fairly wide margin. However, because of the state's present financial difficulties, the increase in such funds should mainly rely on the enterprises' own funds. If their economic results cannot be improved, the extend and intensity of reform in this aspect can only be limited.

Second, we must correctly handle the relationship between the comprehensive economic restructuring, on the one hand, and the expansion of decision-making power for the enterprises and the system of economic responsibility in industry, on the other.

Judging from its historical progress, we can see that the restructuring this time is a development and perfection of the expansion of decision-making power and of the responsibility system. Therefore, it is by no means what some comrades refer to as "the expansion of decisionmaking power for enterprises which has become outdated" and "the economic

responsibility system in industry which is no longer workable" and so forth. In the case of the expansion of decisionmaking power, for example, the managing power of the central cities cannot be expanded by taking over the inherent rights of the enterprises or by "stifling" the enterprises once again. At present, the departments in charge of some trades have formed new marketing agencies outside the companies being run as enterprises. Without going through the companies or enterprises, these agencies are now playing a direct role in working contracts for production and marketing and laying their hands on some products in short supply in an attempt to share the profits. Because of this, the companies run as enterprises will find it difficult to plan for production, supply and marketing exclusively. This is a deviation from the goal of restructuring and dampens the enthusiasm of the companies (general plants), resulting in the deterioration of economic results. Again, the need to uphold and improve the many forms of systems of internal industrial economic responsibility within the enterprises is being ignored. This situation is largely attributed to the confusion of two different concepts in people's minds. In the relationship between the state and the enterprise, "contracted responsibility" is not the orientation of restructuring. With regard to the internal relations of an enterprise or the relations between the company (general plant) and the second-level plant, the breakdown of targets must be affirmed so that the responsibility will be shared by the branch plants, workshops, teams and shifts and all the way down to the individuals in various forms of "contracted responsibility." Without this responsibility system, the phenomenon of having nobody to be responsible for the management of production and business operation may reappear, and production may once again decline. At present, in particular, the internal control in many enterprises is chaotic. The quotas are not correctly set, and the basic work is poor. If we do not attend to this aspect of work carefully, we will fail to attain the objective of improving economic results in the restructuring.

Third, we must make great efforts in carrying out technical transformation for industry in Chongqing.

In the final analysis, the purpose of economic restructuring is to adapt the relations of production and the superstructure to the development of productive forces. The problems to be solved in economic restructuring are with the readjustment of economic relations, the leadership, and the forms of economic activities. However, the solution of these problems does not mean the development of the productive forces themselves. This shows the need for an overall plan for the development of economy and technology while the restructuring is in progress. This overall plan includes, for example, the plan for technical transformation, the plan for such priority projects as energy and transportation construction, the plan to give technical aid to civilian industry through a military-civilian combination, and so forth, in Chongqing Municipality. Chongqing can now fully utilize its favorable conditions as an economic center in accelerating the three shifts: the shift of advanced industrial technology and management experiences from the coastal areas to Chongqing (and the Southwest); the shift of advanced technology in military industry to civilian industry; and the shift of S&T to production.

The outstanding problems in the standard of living and production in Chongqing have always been very serious. Therefore, while making use of the limited funds for technical transformation, we must guarantee the completion of the key projects instead of undertaking all projects indiscriminately. We must complete systematically the technical transformation of the key enterprises, group by group, instead of making hasty all-out efforts to bring the technology of all units, including those originally backward units, up to a uniform level. Still less should we use the funds mainly on the transformation of the mediocre enterprises. In other words, in carrying out technical transformation, we must concentrate the resources and efforts on attaining specific economic results within the time limits. On this basis, we will have more resources in carrying out technical transformation for the second and third groups of key enterprises. This is the method of relying on our own efforts and hard struggle in advancing wave by wave.

Fourth, there is the question of correctly handling the relationship between the Chongqing economic zone and Sichuan in economic development.

There are two one-sided views in this connection. One of them is that the establishment of the Chongqing economic zone and the whole set of reforms being taken would "cut off a big chunk of meat from Sichuan" or "weaken Sichuan's economy." According to this view, the prosperity of the Chongqing economic center will be set against the economic development of Sichuan. Actually, just as we should first of all revitalize the enterprises on the basis of their reform in restructuring the entire economy, we should first revitalize Sichuan in order to revitalize the Southwest; and should revitalize Chongqing in order to revitalize Sichuan. If all the large and small economic centers in Sichuan--such as Chongqing economic zone, Chengdu economic zone, Dukou economic zone and Zigong economic zone, all enjoy prosperity, they will also bring prosperity to the vast countryside and the whole province.

Another view is that Chongqing as an economic center will be forever "severed" from Sichuan. This view does not correspond to reality and is not favorable for Chongqing's economic development. First, Chongqing is administratively still a municipality under the province. Second, there are innumerable economic ties between Chongqing and Sichuan. There are the Panzhihua iron mine in the western part of Sichuan, the nonferrous metal resources across the mountain ranges, the grain crops of Baxi in the west, the cash crops of Xichang Prefecture, and the animal products of Sanzhou. Cutting off all these products from the Chongqing economic center can only jeopardize Chongqing's economic development. Chongqing's products are oriented to the whole country, but first of all to Sichuan. It is closely related to the enterprises in various prefectures in Sichuan in the form of productive cooperation, and if these relations are severed, Chongqing would be the first to suffer. In short, recognition of the position of Chongqing as an economic center does not mean its separation from Sichuan, and even less its isolation in a self-sufficient economy. The Chongqing economic zone now under construction will certainly become an open economic zone built on a foundation of large-scale socialized production and well-developed commodity production and exchange.

AGGREGATE ECONOMIC DATA

XINJIANG INDUSTRIAL, AGRICULTURAL OUTPUT UP

OW041115 Beijing XINHUA in English 1038 GMT 4 Nov 83

[Text] Urumqi, November 4 (XINHUA)--The industrial and agricultural output value of the Xinjiang Uygur Autonomous Region is estimated to reach 8.83 billion yuan this year, six percent more than in 1982, according to the regional planning commission.

Political stability and unity among its nationalities have ensured the region's steady economic development in recent years, an official of the commission said.

This year sees Xinjiang's sixth consecutive good harvest, the commission reported. Grain output is estimated at 4.15 million tons, at least 100,000 tons more than last year, and a good harvest of cotton has also been reported.

The region has further adopted measures to boost livestock production, including improved pasturage and the use of high-quality fodders. The region expects that by the end of this year there will be 30 million animals, 2.2 percent more than in 1982, for an 8.7 percent rise in meat output.

Industrial production is expected to reach 5.06 billion yuan this year, an increase of 9.1 percent. Output of small tractors and synthetic ammonia from January to mid-October this year tripled over the whole of last year, and production of wine, beer, plastic products and chemical fiber fabrics registered a 40 percent rise, the commission said.

Commodity supplies have improved. Retail sales are expected to grow by 9.8 percent, and the region's revenue also indicates an increase, the commission said.

CSO: 4020/028

AGGREGATE ECONOMIC DATA

BRIEFS

NEI MONGGOL REVENUE OVERFULFILLMENT--According to statistics compiled by the autonomous regional financial department, the region fulfilled its annual revenue plan by 86 percent in the January-September period this year, a 117.18 million yuan and 32.1 percent increase over the figure of the corresponding 1982 period. The region's industrial and commercial tax revenues reached 556.01 million yuan, a 41.9 million yuan and 8.2 percent increase over the figure of the corresponding 1982 period. [Excerpts] [SK030146 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 27 Oct 83]

SHANXI INDUSTRIAL OUTPUT--By the end of October, Shanxi Province had overfulfilled the annual output plan of its 31 out of 100 major products. Its total industrial output value reached 12.428 billion yuan, up 13.85 percent over the corresponding 1982 period, fulfilling over 90 percent of the annual plan. [Excerpt] [Taiyuan Shanxi Provincial Service in Mandarin 1040 GMT 8 Nov 83 SK]

SHANDONG INCOME INCREASE--As of the end of September, Shandong Province's gross incomes earned from developing a diversified economy reached more than 12.83 billion yuan, a 26.8 percent increase over the figure of the corresponding 1982 period. Jinan, Yantai, Dezhou and Weifang Prefectures and cities scored a more than 30 percent increase over their figure of the corresponding 1982 period. [Excerpts] [SK080152 Jinan Shandong Provincial Service in Mandarin 2300 GMT 3 Nov 83]

CSO: 4006/123

CONFERENCE ON QUALITY CONTROL HELD

Shenyang SHICHANG ZHOUBAO in Chinese 26 Jul 83 p 1

[Report by newspaper reporter Wang Xuanqing [3769 6693 1987]: "Our Province Has Convened a Representative Conference for Quality Control Groups of the Industrial and Communications System"]

[Text] In a coastal city in midsummer, a grand gathering was held for the outstanding workers. The representative conference for quality control groups of the industrial and communications system throughout the province was sponsored jointly by the provincial economic committee, the provincial federation of trade unions, the provincial scientific association and the provincial quality control association. The conference was held from 18 to 21 July in Dalian City. The conference declared that: The mass activities of the quality control groups in our province, like bamboo shoots after the rain, are developing in a thriving manner and have attained heartening results in work.

From the figures brought out at the conference, by the end of June this year, incomplete statistics show that the quality control groups that are registered at the various cities and localities have increased from 16,392 last June to 29,264 groups, and the number of workers participating in quality control activities have increased from 135,675 to 315,850. These quality control groups have accomplished 4,836 projects in the first half of this year, and have created 93.34 million yuan in economic value. This has played an important role in ensuring the fulfillment and overfulfillment of the state plans for the first half of this year, in strengthening scientific management, in promoting technological progress, in raising quality and increasing variety, raising standards and economic results. From January to May this year, the rate of steady increase of the quality of the key products under assessment reached 87.2 percent, which was 6.2 percent higher than the corresponding period last year. The rate of output value of the superior quality products reached 13.3 percent, which was 0.22 percent higher than that of the corresponding period last year. Among the 116 products that entered the quality comparison and appraisal of similar trades throughout the country, more than 70 won first prize. The quality of some products has already reached or is close to the international advanced level. All this is inseparable from the enthusiastic activities and great contributions of the quality control groups. Practice has proved that the quality control groups form an important force in the four modernizations as well as the most active and

most vital component part in the quality control activities on an all-round scale. If we want to emphasize properly all-round quality control, we must first of all emphasize properly the quality control groups.

The delegates attending this conference were from 84 quality control groups. They were the outstanding delegates that were selected from the lower to the higher level of the thousands of quality control groups from the various cities, localities and departments. These groups have scored illustrious results that have won people's attention. The results of 36 projects published at the conference won the general fine appraisal of the attendants.

The conference cited and named these outstanding quality control groups and awarded certificates to these groups. It also appraised and selected delegates to attend the national conference of quality control groups.

Comrade Wang Xin [3769 2450], vice chairman of the provincial economic committee and chairman of the provincial quality control association, and Comrade Gao Yu [7559 1342], vice chairman of the provincial federation of trade unions, attended and spoke at the conference. They made demands and plans for further launching activities of the quality control groups in the future. The comrades attending the conference unanimously expressed their firm determination to make greater effort in providing more superior quality products for the market.

9335

CSO: 4006/743

FACTORY MANAGERS HOLD RESEARCH CONFERENCE

Tianjin TIANJIN RIBAO in Chinese 9 Jul 83 p 1

[Article by Zhang Ying [1728 4461]: "An Exchange of Experience of New Circumstances Under Which to Manage Enterprises: Factory Managers From Beijing, Tianjin and Hebei Province Assemble in Tianjin"]

[Text] Recently, 72 factory managers from Beijing, Tianjin and Hebei Province and professors from the management departments of universities and colleges gathered together, and full of interest, they exchanged their experiences new circumstances under which to manage enterprises. This activity was jointly organized and sponsored by the Beijing-Tianjin-Hebei Factory Managers Research Association.

Primarily old factory managers with many years of practical experience participated in this meeting. At the same time there were also new factory managers who had taken up their posts in the course of reorganization: their thinking is usually brisk, and in succession they synthesize their experiences, study problems and inquire into methods for solving them. On 7 July a representative from the Shoudu Steel Mill reported a new experience in enterprise reform to the meeting of factory managers. Recently Shoudu Steel took their original economic system of responsibility and developed it into a specialized economic system of responsibility. They took the original "guarantee, protect and examine" and developed it into "complete, high-standard, time, coordination, examination." "Complete" is to take the work that each specialized department is supposed to perform and completely channel it into a specialized economic system of responsibility. "High standard" is to formulate a work criterion that is both of a high standard and is advanced for each business. "Time" is having a clear time limit requirement for every business. "Coordination" is to take the coordinated relationships between departments, units, stations and people and to use them to determine an economic system of responsibility. "Examine" is to perform a serious examination of the performance of all work which was contracted down to the individual level, and to link performance to bonuses, to thus enliven the enterprise management, and to raise the level of scientific management by a large degree. The experience of Shoudu Steel aroused great interest in the factory managers at the conference. In the ensuing days both in small meetings and in rooms after the lights had been put out, one could hear two or three factory managers ardently exchanging conversation. Among them one

topic of conversation was: an enterprise possessing pressure will then have vitality. Shoudu Steel is an enterprise with a reforming orientation. At the same time, they also pondered over a problem: How to practically utilize the experience of Shoudu Steel and raise the level of their enterprises' management and administration. This activity has provided experience for the Beijing No 1 Cotton Mill, The Tianjin Seamless Steel Tube Factory, Hebei Province's Shijiazhuang No 2 Radio Factory and 11 other units.

The Beijing-Tianjin-Hebei Factory Managers Research Association held this type of activity for the first time, and it received an ardent welcome from the factory managers. They feel that launching this type of activity is advantageous because it links up circumstances, investigates problems and solves them. Finally, the Beijing-Tianjin-Hebei Factory Managers Research Association discussed and resolved that this type of activity will be held every year.

12437

CSO: 4006/798

FINANCE AND BANKING

CONFERENCE ON FINANCIAL, TAXATION WORK HELD

Shijiazhuang HEBEI RIBAO in Chinese 24 Jul 83 pp 1, 2

[Report by reporter Jiao Guoxiang (3542 0948 4382): "Strive to Realize in the Next 2 Years a Further Turn for the Better in Our Province's Financial and Economic Conditions"]

[Text] From 15 to 21 July, the provincial government convened a provincial conference on financial and taxation work. The focus of the conference was to study how to do a good job of financial and taxation work, increase revenue and economize expenditure and strive for a further turn for the better in our province's financial and economic conditions. The conference called upon people throughout the province to mobilize and render contributions to realize in the next 2 years a further turn for the better in our province's financial and economic conditions.

The conference studied out province's financial situation and the problems it encounters and held that the economic situation in our province at present is fine and will become better and better. But it held that we must also recognize that the financial revenue in the last few years has fluctuated and had not made any progress, that the increase in poll tax was too rigorous, that construction funds were reduced year after year, that financial and economic discipline was lax, that financial resources were scattered, that waste was serious and that some places showed deficits for years on end. These conditions have affected the further development of our province's economy and the various construction causes.

The conference analyzed the primary reasons for our province's financial difficulties, and held that, although there were objective factors, the primary reasons were our problems in work. These problems were: First, the leading comrades of many localities and units till today have not yet regarded managing financial affairs as an important task in taking on the entire situation and doing a good job in economic work. Second, the management level of the industrial enterprises was low and the economic results were poor. The economic and technological targets of many enterprises have not only failed to catch up with the advanced level throughout the country, but have been far from reaching the highest record in history of the enterprises themselves. The deficits of some industrial and commercial enterprises were quite serious. Third, some places did not handle properly enough the

relationship among the state, the enterprise and the workers. The condition of scattered financial resources was relatively serious. Some units emphasized that the enterprises should have more retention and that the staff members should have more to divide among them. They have undermined the state's financial revenue. While the financial revenue within the budget throughout the province fluctuated without making progress, the revenue outside the budget was increased by a wide margin. Fourth, there were too many loopholes and there was alarming waste. For instance, the expenditure in poll tax increased by too much, the expenditure for public medicine basically lost control, waste was serious, the management in taxation was not strict, the condition of tax evasion was serious and the violation against financial and economic discipline were numerous.

Through this conference, the comrades attending the conference generally attached importance to managing financial affairs, and understood that, to carry out socialist modernization, we must manage our affairs in socialist construction well and handle our financial affairs in socialist construction well. In particular, we must pay more attention to managing our affairs and handle our financial affairs under the situation when we must develop the various socialist construction causes and when we must increase our expenditures in various aspects while we have a shortage in our financial resources. In this respect, the comrades attending the conference not only greatly raised their ideological understanding, but also developed a sense of urgency, a sense of pressure and a sense of mechanism, and established the ideological foundation for managing affairs properly and handling financial affairs properly.

The conference proposed that, in order to realize a further turn for the better in our province's financial and economic conditions, we must emphasize the following three points:

1. We must relentlessly emphasize economic results. Having a good grasp of production and raising economic results means opening up our financial resources. The turn for the better in the financial situation depends upon the development in production and the raising of economic results. The potentials in this respect are very big. We must concentrate our major effort on emphasizing production and emphasizing economic results in order to open up our financial resources. At this conference, the economic committee and the commercial department separately proposed specific demands and measures for the industrial and commercial enterprises in raising economic results. We must conscientiously implement these measures and use them as the bases for assessing economic results. In practical work, we must give prominence to emphasizing the following four points: First, is to relentlessly tackle the large units with excessive profit or losses in industrial production. At the same time, we must emphasize properly the medium and small enterprises. We must render key support to those enterprises with marketable products as well as with a future for development, and swiftly promote their economic results. Second, is to emphasize increased production in the light and textile industries. We must conscientiously examine the condition of the implementation of the principle of the "six priorities," solve problems as soon as they are discovered, try our best to urge the light and textile

industries on to raising product quality, increasing product design and variety and raising their competitive capacity. Third, is to emphasize agricultural production and work hard to seize a fall bumper harvest. We must vigorously emphasize commodity production, run diversified economy well, increase our wealth and open up our financial resources. Fourth, is to emphasize the work of changing the condition of loss and increasing profit in the commercial enterprises. The focus is in such key commodities as hogs, eggs, vegetables and knitwear and wholesale enterprises that are closely related to the people's standard of living. We must pay attention to market news, actively bring goods in and expand sales.

2. Relentlessly emphasize taxation. Taxation is the main pillar in financial revenue and is an important measure in accumulating construction funds. Making an issue of taxation, we will have made an issue of the biggest share in our financial revenue. For this reason, we must stress the following points: First, we must strengthen the taxation organs at various levels, and must first of all readjust the leading bodies and coordinate them well as soon as possible. We must emphasize the consolidation and strengthening of the taxation ranks and raise the political quality and the policy and business levels of the taxation cadres. We must popularly set up and perfect the organizations in tax control and tax protection at the basic level authorities and enterprise units, and resolutely change the situation in which no one is in charge of taxation. Second, we must widely launch the propaganda in taxation. In August, the "taxation propaganda month" will be launched throughout the province. We must utilize all kinds of propaganda tools to carry out in a penetrating manner propaganda and education on the policies and decrees regarding taxation so as to truly enable every family and everybody to know about taxation, and to form a powerful social public opinion in which all the people are conscious of the fact that it is a glorious thing to pay taxes, a despicable act to evade taxes and an illegal act to resist taxation. Third, we must practically and realistically stress the work of substituting tax payment for profit delivery. Fourth, we must strengthen control over taxation. In August, we will conduct a readjustment on a general scale of the tax quota for licensed pedlars and readjust those taxes that were too low. In the future, those who have the facilities to do so must set up accounts and taxes will be imposed after the accounts are verified. We must sort out and carry out registration on a general scale toward those unlicensed urban and rural pedlars. Those who have evaded taxes must pay their taxes to the treasury before deadline and those who resist will be handled according to the law. We must strengthen control over the sources of taxes, must carry out registration on all the urban and rural tax sources, set up files and household cards and carry out inspection and taxation at fixed intervals. Toward the basic level organs of state, we must popularly implement the method of "linking up revenue with expenditure and above-quota awards." We must also implement the system of awards and penalties for the taxation cadres, enable the broad masses of taxation cadres to execute their duties, handle matters impartially and impose taxation according to the law. The leadership at various levels must vigorously support taxation work. We must strictly handle acts of encircling and attacking, railing at and beating taxation cadres, and must enforce the law in serious cases.

3. We must relentlessly emphasize practicing economy and vigorously oppose waste. In August, we must launch activities of "strictly practicing economy and opposing waste" within the province. We must mobilize the broad masses to thoroughly expose all kinds of losses and waste and stipulate measures for practicing economy. We must find out who is responsible for the serious incidents of losses and waste and handle the incidents strictly. At the conference, the industrial and communications system proposed the slogan that "everyone should put his heart and soul into the task of changing things to gold," and called upon the broad masses of cadres and workers on the industrial and communications front to suggest ways and means to stop up the loopholes, tap potentials and render contributions. The conference asked that, in the latter half of this year, "everyone increase production and save 100 yuan, so that 1 million workers will save 100 million yuan." The administrative units at various levels must adopt arbitrary measures to practice economy in their funds and expenses and, on the basis of launching ideological education well, resolutely cut down all the expenses that can be cut down. In order to strictly control all items of expenditure, the provincial government reiterated that the government at various levels in the future will have a major responsible comrade who should take full responsibility for examination and approval over this work.

The conference held that we have emphasized a key issue and held a key conference at a key juncture. This conference will become the important turning point in our province in creating a new situation for financial and taxation work, and will also become the most practical examination of whether or not we are truly realizing a shift in the focus of our work. It is a tough battle to fulfill the various tasks proposed at the conference. The key to whether or not this battle can be won lies with the leadership. Therefore, the government at various levels must practically and realistically strengthen leadership and emphasize implementation of the tasks. They must clearly indicate to the broad masses of cadres and workers that doing a good job of increasing revenue and saving expenditure is an important task at present which must be fought as in a tough battle and must be fought aggressively. They must clarify the responsibilities and strictly enforce discipline. They must emphasize economic news properly. They must put personnel who know economic news properly. They must put personnel who know economics in important positions. In particular, they must pay attention to promote and use financial and economic management personnel. In order to assess without delay the results of work of the various localities and cities, the provincial government decided that, from now on, the government at and above the county level must conduct examination once a month and make reports once a month. The provincial financial office will report the situation once a month and give a summary comparison and appraisal at the end of the year. The good ones will be commended and awarded and the poor ones will be criticized and educated. We must strictly enforce financial and economic discipline. In September and October, we should launch within the province a mass examination in financial and economic discipline and strictly handle the problems of violating the financial and economic discipline. The various concerned departments of the province must practically and realistically strengthen leadership over the enterprises directly under their jurisdiction, must know the conditions at the lower levels as well as they know the palm of their hand and solve existing problems without delay. The various localities, cities and counties must also strengthen leadership over the enterprises directly under

the jurisdiction of the province. In the reform of their organizations, the various localities, cities and counties must clarify the division of labor, draw lines of demarcation of the fronts and enable the reform of the organizations and economic work to promote each other and must not let the reform of the organizations weaken the leadership in economic work or affect financial revenue. The various targets, demands and measures proposed at the conference must be implemented to the letter gradually. We should clarify our responsibilities, strengthen inspection and resolutely change those evil tendencies of only making plans without carrying out inspection and of not paying attention to actual results.

Zhang Shuguang, governor, Li Feng and Hong Yi, vice governors, of the provincial people's government, delivered speeches separately at the conference.

Attending the conference were responsible comrades of the provincial party committee, the standing committee of the provincial people's congress and the provincial people's government.

Song Shuhua [1345 0645 5478], chairman of the provincial economic committee, and Sun Zhiyuan [1327 1807 6678], head of the provincial auditing bureau, spoke at the conference.

Also attending the conference were more than 700 people, including commissioners of administrative offices of the various prefectures, mayors of the various cities, heads of the various counties, chairmen of the prefectural and municipal economic committees, chiefs of the prefectural, municipal and county financial bureaus and taxation bureaus, responsible comrades and heads of financial offices of the concerned committees, offices, departments and bureaus directly under provincial jurisdiction.

Thirteen units, including the Tangshan Municipal People's Government and the Nangong County People's Government, introduced their experiences at the conference. Six units, including the Shijiazhuang Prefectural Administrative Office, submitted written reports at the conference.

9335

CSO: 4006/744

FINANCE AND BANKING

BANK OF CHINA'S STATUS IN INTERNATIONAL BANKING CIRCLES

Beijing JINGJI RIBAO in Chinese 20 Aug 83 p 4

[Article by Mei Yachu [2734 7161 2806]: "The Bank of China's International Status Rises Constantly--It Now Has Stepped into the Forefront of the World's 500 Biggest Banks"]

[Text] According to the methods of calculation used by the British financial magazines **BANKER** and **EUROMONEY**, the Bank of China's international standing is constantly rising, as it has already entered the forefront of the world's 500 biggest banks.

In June of this year, **BANKER** and **EUROMONEY** published their 1982 lists of the capitalist world's 500 biggest banks. **BANKER** ranks the world's banks according to the size of their assets, believing that it can thus fairly comprehensively reflect their economic scales and capabilities. On the other hand, **EUROMONEY** ranks them according to their capital and reserves (reserve funds), calling them the yardstick most able to measure a bank's scale and actual strength. Each magazine's standards of measurement have their own emphases, and their rankings are none too similar, but they can help us understand the economic conditions and development trends of the world's big banks.

According to the asset-liability statement issued in "THE BANK OF CHINA'S ANNUAL REPORT FOR 1982," the bank had total assets of 119.1 billion yuan in 1982. If we subtract 4.784 billion yuan in uncollected proxy funds, 19.382 billion yuan in forthcoming guaranteed funds, and 987 million yuan in trust assets, its general assets are 93.947 billion yuan. The general assets amounted to \$49.694 billion according to the average exchange rate between the yuan and the American dollar for 1982. By that criterion then, **BANKER**'s method of calculation placed the Bank 33d among the world's 500 biggest banks, right after France's Banque de Paris and right before the Swiss Bank Corp (the former is France's 5th biggest bank, the latter is Switzerland's 2d biggest). From comparisons with the past few years we can see that the Bank of China's standing among the world's 500 biggest banks has recently been rising constantly, in step with the rapid expansion of its business. (Note: It was in 73d place in 1979, 57th in 1980, and 50th in 1981.)

By EUROMONEY'S calculations, the Bank of China had 1 billion yuan in capital stocks in 1982, 948 million yuan in accumulation funds, and 1.206 billion in reserve funds in 1982. Thus it had a total of 3.154 billion yuan in capital and reserve, which amounted to \$1.669 billion according to the average exchange rate between the yuan and the American dollar for 1982. By that criterion then, the bank placed 31st among the world's 500 biggest banks, right after West Germany's Yizhi [1942 1807] Local Bank and right before Canada's Bank of Montreal (the former is West Germany's 3d biggest bank, the latter is Canada's 2d biggest). The Bank of China placed 37th in 1981. In addition, BANKER published a list of the world's 100 biggest banks according to deposits. By that criterion, the Bank of China's 84.597 billion yuan (\$44.748 billion) placed it in 28th position for 1982, right after the Union Bank of Switzerland and right before Japan's Tokai Bank (the former is Switzerland's biggest bank, the latter is Japan's 10th biggest).

The above information tells us that whether it is measured by assets, capital, or deposits, the Bank of China's standing among the world's big banks is more or less 30th or higher.

12465

CSO: 4006/811

FINANCE AND BANKING

STRENGTHEN CONTROL OF RURAL CURRENCY CIRCULATION

Beijing JINGJI RIBAO in Chinese 29 Aug 83 p 1

[Article by Gao Yongyi [7559 3057 3015]: "The National Forum of Agricultural Bank Presidents Decides to Take Three Measures to Strengthen the Control of Currency Circulation in Rural Areas"]

[Text] The National Forum of Agricultural Bank Branch Presidents, which concluded on 28 August, has demanded that rural financial departments everywhere take forceful measures to strengthen the control of currency circulation in rural areas. These departments should also energetically organize the withdrawal of currency from circulation, said the presidents, in order to contribute to the plan to balance China's credit.

Participating branch presidents pointed out that in the first half of this year, the rate of increase in rural loans was higher than in the past years. They added that although rational economic development helped account for the increase, some localities still have problems of prejudged and loose loans and less than rigorous management.

The forum decided that in the last few months of this year, rural financial departments everywhere must support the development of agricultural production and economic diversification as well as the purchasing of farm produce and sideline products. Based on these premises, the departments should strengthen their control of loans for capital construction, tighten their management of working loans for production, and temporarily halt consumer loans. The forum decided to take the following three principal measures:

1. There will be no loans for projects of capital construction outside the plan, blind construction and duplicate construction; all such loans already granted will be checked and recalled. In general, there will be no new investment loans for state farms and no new equipment loans for commune team enterprises. There will be no loans for commune team enterprises that compete with major industries for raw materials and energy and have low-quality products, high production costs, and no market for their goods.
2. In principle, there will be no loans for individual commune members to buy autos or big tractors. There will be no loans, or as few loans as possible, for building homes, buying homes or buying durable consumer goods. There will be strict control of big loans to specialized households.
3. Rural savings deposits will be energetically organized. Close attention will be paid to checking and recalling due and overdue loans. The management of ready money will be strengthened, and less of it will be in circulation.

12465

CSO: 4006/811

FINANCE AND BANKING

SUBSTITUTION OF TAX PAYMENT FOR PROFIT DELIVERY DISCUSSED

Taiyuan SHANXI RIBAO in Chinese 17 Jul 83 p 2

[Article by Yan Yuansuo [7051 0337 6956], head of the provincial financial office: "Substitution of Tax Payment for Profit Delivery can Better Mobilize the Enthusiasm of the Enterprises"]

[Text] The substitution of tax payment for profit delivery in state-run enterprises is a major reform in the economic system of management and is an important policy decision of the party Central Committee and the State Council. It is effective in increasing state financial revenue, urging the enterprise on to improve its business management and raising economic results. Our province has basically failed to launch pilot projects in the substitution of tax payment for profit delivery in the last few years, and work has just dragged along. Thus, practically and cognitively, many comrades embraced insufficient comprehension of the meaning of the substitution of tax payment for profit delivery. A few people even misunderstood it and cherished "three fears:" One was the fear that the enterprise's profit retention would be reduced. Another was the fear that the system of contracting responsibility would be negated. A third fear was that the enthusiasm of the enterprise and the workers would be influenced, thereby affecting the excellent situation in production. I feel that these worries are unnecessary.

First, we should talk about whether or not the substitution of tax payment for profit delivery would reduce the enterprise's profit retention. We say that the general principle of the substitution of tax payment for profit delivery is to handle properly the relationship among the interests of the state, the enterprise and the worker. The leading comrades of the central authorities point out that we must control both ends: One end is to protect the enthusiasm of the enterprise and vitalize the enterprise; the other end is to ensure the steady increase of state financial revenue, to ensure that the state will get the biggest share, the enterprise will get the next biggest share and the individual will get the smallest share. This principle proceeds from the long-term interest and overall situation of the country as well as from the reality of the situation, and maintains the relationship among the interests of the three. Currently, the proportion of distribution among the state, the enterprise and the worker is basically appropriate to the level of production development at present. Thus, at the national conference on the work of substituting tax payment for profit delivery, Minister Wang Bingqian

pointed out that, in the substitution of tax payment for profit delivery this time, the state would not "crowd out or give in to" the enterprise's profit retention. The state did not intend to take a piece more from the enterprise through the substitution of tax payment for profit delivery, but it would have difficulty letting the enterprise retain more profit either. In light of the projected situation in implementing the substitution of tax payment for profit delivery in our province, after imposing the income tax stipulated by the state, the agreed profit retained by the provincial level industrial enterprises is still 1.1 percent higher than the present level of profit retention. The result of the preliminary projection by the Xinxian Prefectural Financial Bureau on the prefecture-run industrial enterprises also shows that the enterprises get more. Thus, the worry that the state would crowd out the enterprise in the implementation of the substitution of tax payment for profit delivery is without a basis.

Second, is the relationship between the substitution of tax payment for profit delivery and the system of contracting responsibility. Some people feel that the substitution of tax payment for profit delivery negates the system of contracting responsibility. This understanding is not an all-round one. In terms of the relationship between the state and the enterprise, the implementation of profit contracting not only cannot guarantee the proper interests of the enterprise and the steady increase in the state financial revenue, but also cannot correctly represent the relationship between the state and the enterprise. Rather, it can easily create an imbalance of wealth and woe and a condition of enriching the well-fed and apologizing to the starved. This is particularly true in the enterprises that implement large-scale profit contracting. The implementation of the substitution of tax payment for profit delivery, on the other hand, will closely link the interests of the enterprise with the interests of the state. As long as the enterprise manages its production and business well, and scores high economic results, the enterprise can get more and the state also can get more. How much a state should get and how much an enterprise should retain will be fixed using a legal form. In this way, it will be convenient for the enterprise to carry out overall arrangement and do a better job in production and business. This is also so-called "vigor." By the same token, if the enterprise does not do a good job, the state will get less, the enterprise and the workers, too, will get less. The production of the enterprise and the standard of living of the workers will be affected. The concerned leadership will be criticized and even penalized. This is called "pressure." Thus, compared to the method of contracting, there are many advantages to implementing the substitution of tax payment for profit delivery. The substitution of tax payment for profit delivery is another advance since the implementation of profit contracting. At the same time, the contracting we talk about not only is restricted to the relationship between the enterprise and the state, but is primarily contracting within the enterprise. In this respect, the substitution of tax payment for profit delivery not only does not negate contracting but is a very great motive force for the system of contracting responsibility.

Third, is whether or not the substitution of tax payment for profit delivery will influence the enthusiasm of the enterprise and the workers? The substitution of tax payment for profit delivery is carried out on the basis

of protecting the legal profit retention of the enterprise. After substituting tax payment for profit delivery, the enterprise will pay its tax according to the tax law stipulated by the state. Either all or a definite proportion of the profit after taxation will be retained by the enterprise for its disposal. This will further expand the decision-making power of the enterprise, and enable it to truly become an independent economic unit that will shoulder its own profits and losses. The enterprise can take the initiative to organize production in accordance with the state plans and the needs of society, establish and perfect its economic system of responsibility and the various systems of management, rationally arrange the livelihood and bonuses of the masses of workers, closely integrate the interests of the state, the enterprise and the workers, and more closely integrate the results of the enterprise's production and business with the responsibility of every worker. As long as the broad masses of workers perform their duty in carrying out enterprise production and business properly, score high economic results and render more contributions to the state, they can obtain more material benefit through increasing production and increasing income. Their enthusiasm will also be heightened. When we talk about enthusiasm, we must first talk about the enthusiasm in rendering contributions to the state and in building socialism. The kind of enthusiasm that only looks at how much profit an enterprise will retain and how much there will be in bonuses is not the thinking of the working class. We should protect and give prominence to the enthusiasm of proceeding from the interests of the state and taking the overall situation into consideration, and educate and correct those who have the ideological tendency of "looking at money in everything." As long as we publicize in a penetrating manner the meaning, purpose and methods of substituting tax payment for profit delivery, explain the interests of the state and its various pertinent policies, and at the same time talk clearly and realistically about the rationality and legality of the benefits gained by the enterprise and the workers, we will definitely be able to more fully mobilize the enthusiasm of the enterprise and the workers.

9335

CSO: 4006/741

FINANCE AND BANKING

CONCENTRATING RESOURCES ON KEY CONSTRUCTION PROJECTS

Beijing JINGJI RIBAO in Chinese 27 Jul 83 p 1

[Editorial: "If Key Construction Projects Are not Promoted, the Entire Situation Will not Come Alive"]

[Text] The national conference on capital construction work will discuss such major issues as how to control the scale of capital construction, raise the results of investment and concentrate financial and material resources in order to ensure the key construction projects. The correct solution to these problems will guarantee the smooth fulfillment of the Sixth 5-Year Plan and the victorious realization of the great goal proposed by the party at the 12th CPC Congress.

In his "Report Regarding the Sixth 5-Year Plan," Premier Zhao Ziyang pointed out: "Concentrate our strength on launching well the key energy and transport projects and improve and strengthen these two weakest departments in the national economy--this is the major link in enabling the entire national economy to gain initiative and is a major event that is related to the overall situation of our economic construction. If we do not solve this problem, the overall situation of the national economy will not come alive, the development of the partial situations will also inevitably be restricted and cannot be promoted rapidly." This passage has profoundly explained the significance of launching well the key energy and transport projects, and has summed up on a high plane the relationship between the key projects and the overall situation.

The relationship between the key projects and the overall situation is determined by the intrinsic necessity of objective economic laws and economic development. The various departments and the various links are the indispensable component parts in the entire national economy. But their individual roles, after all, are different in importance or are either primary or secondary, and their development is also in order of urgency and cannot be launched all at once.

Furthermore, economic development is oftentimes unbalanced. Some undertakings have "long legs" while other have "short legs." Only by concentrating our efforts on launching first of all those departments that play the leading role or are weak and backward can we bring along the others, and enhance the swift

development of the entire national economy on a harmonious basis. Thus, the key projects involve not just one or two departments or one of two undertakings, but involve the major issue of whether or not the entire national economy can develop healthily and in a benign cycle.

Some people hold that our previous experiences showed that after the key projects were launched, the overall situation did not necessarily come alive, and that if the work was not launched properly, it would even mess up the overall situation. We must acknowledge that in the past, as a result of giving prominence to "taking steel as the key link," one-sidedly emphasizing heavy industry and wanting only key projects at the expense of general projects, we did plunge the overall situation of the national economy into an extremely passive state and bring about difficulties. But we must also recognize that the previous mistakes did not lie in launching key construction projects but in the mistakes in our guiding thinking, which led to the improper choice of key projects and the inappropriate positioning of key projects. Now that we have corrected our guiding thinking in economic work, and listed as our key projects the energy and transport projects which truly need to be strengthened vigorously, it is entirely possible to avoid our previous mistakes if we concentrate our efforts on launching the key construction projects and take into consideration the general projects at the same time. Practice has proved that, as long as our guiding thinking is correct and if we push forward the overall situation through emphasizing the key projects, we can bring about a large-scale development of the overall situation. During the First 5-Year Plan, we launched the key construction projects with 156 projects as the key. Not only did we establish a preliminary foundation for the industrialization of our country, but also brought about the development in industrial and agricultural production and the improvement of the people's standard of living. In the period of readjustment in the sixties, we put the development of agriculture in first place and brought about a swift recovery and development of the national economy. These are all obvious cases in point.

9335

CSO: 4006/741

BRIEFS

TAX PLAN OVERFULFILLED--Since the beginning of this year, the industrial and commercial taxation in our province has been growing consistently. By the end of June, industrial and commercial taxation throughout the province fulfilled 53.7 percent of the revenue plan for the fiscal year, an increase of 4.9 percent over the same period last year. The development of the various economic construction projects in our province is the basis of the consistent growth of our industrial and commercial taxation. In the first half of this year, the gross industrial output value of our province increased 8.4 percent over the same period last year. The development in such undertakings as commerce, transport, tourism and service trades was relatively rapid. The gross volume of sales of social commodities increased 10.8 percent over the same period last year, thereby creating favorable conditions for the increase in industrial and commercial taxation. In the first half of this year, the industrial and commercial taxation in industry and in commerce, transport, tourism and service trades throughout the province increased 8.5 percent and 12.5 percent, respectively. Industrial and commercial income taxes coming from the collective enterprises also increased 2.25 percent. The investment by foreign businessmen in our province in the first half of this year also more than doubled that of the corresponding period last year, thereby bringing about an increase by a relatively large margin in external taxation. [Text] [Guangzhou NANFANG RIBAO in Chinese 17 Jul 83 p 1] 9335

CSO: 4006/741

INDUSTRY

LOW-ALLOY, ALLOY STEEL PRODUCTION PROGRESS STRESSED

Beijing GANGTIE /IRON AND STEEL/ in Chinese No 6, Jun 83 pp 7-11

/Article by Li Dongye /2621 2639 0396/ of the Ministry of Metallurgical Industry: "Rely on Progress of Technology and Carry Out Enterprise Reformation Well; Develop Our Low-Alloy and Alloy Steels"/

/Text/ The development of our low-alloy and alloy steels is of great significance in shifting our national economy on to a new foundation of technology, in reducing the shortage of metals, in strengthening energy, communications and transportation, and other priority strategic projects, in improving the people's standard of living, and in promoting the defense industry. We have the required conditions and ability to develop our low-alloy and alloy steels.

1. On the Plan To Develop Low-Alloy and Alloy Steels During the Sixth 5-Year Plan Period

The Sixth 5-Year Plan adopted by the Fifth Session of the Fifth NPC explicitly states that in 1985, the output of low-alloy steel should be increased from 3 million tons in 1980 to 3.5 million tons, and that its ratio should be raised from 8.7 to 10.5 percent. Priority will be given to the development of high-strength, low-alloy structural steel, low-alloy steel reinforcing bars for construction purposes, wear-resistant steel rails, low-alloy steel for mining purposes, corrosion-resistant low-alloy steel, low-alloy steel for low-temperature equipment, and so forth. In the same period, the output of alloy steel will be raised from 1.8 million tons to 3 million tons, and its ratio will be raised from 4.9 to 7.7 percent. Special efforts will be made to increase the output of plates, pipes, belts and wires, and the output of these varieties in 1985 should be increased 2.5-fold, compared with 1980.

Our guiding thought in developing low-alloy and alloy steels in future is to uphold the principle of "quality first," to increase new varieties, to reduce production costs, to conserve energy, to serve the customers well, and to rely on technological progress in improving comprehensive economic results. Therefore, development low-alloy and alloy steels does not mean only increased output, but, more important still, improving quality, increasing varieties and reducing production costs and energy consumption by a wide margin. We must develop more new varieties and produce more steel materials which are of high strength, resistant to corrosion, high and low temperature, and having other special

properties. In so doing, we must pay special attention to the materials for the energy, transportation, machinery, chemical, electronic and national defense industries and the people's standard of living (including construction and the light industry market). During the Sixth 5-Year Plan period, the development and use of low-alloy and alloy steels in the following five aspects must be carefully attended to:

1. Develop new materials for new technological equipment. Efforts must be made to manufacture and supply the materials required for 300,000 and 600,000 kW thermopower generating units for offshore drilling, comprehensive coal mining units, heavy chemical fertilizer and chemical fiber equipment, nuclear power stations, heavy engineering machinery, technical transformation for high-speed and heavy-load railways, electronic industry and the updating of conventional weapons. These industries consume a very great deal of these materials and have an important bearing on social economic results.
2. Develop the materials for the durable basic parts of various high-performance machinery. In the machinery industry, we consume huge amounts of gear steel, ballbearing steel, tool and pattern steel, spring steel and various types of heat-resistant steel. Improving the properties and prolonging the service life of the steel for various basic parts is of great significance in increasing the efficiency of equipment and saving steel materials.
3. Develop low-alloy steel of high strength for light structures. If these steel materials are mainly used in making reinforced concrete structural parts, building structures, oil pipelines, bridges and vehicles, we can save a great deal of steel and reduce costs.
4. Develop materials for export. The export of low-alloy and alloy steel products is an extension of our superiority in nonferrous resources. During the Sixth 5-Year Plan period, we should develop the steel materials required for exporting tools, tableware, ballbearings, military equipment and shipbuilding.
5. Develop stainless steel for civilian use. There is a heavy demand for stainless steel in our tableware, kitchen utensil, laundry machine, bicycle and food industries and in the production of medical appliances. We must strive to lower production costs and supply attractive and low-priced products for popular civilian use.

While developing various types of new low-alloy and alloy steels, we should also screen and streamline the currently available varieties of steel, bring them up to the national standard, produce and supply them in complete sets, and thus give full play to the role of fine-quality steel materials.

In developing low-alloy and alloy steels, we must unswervingly implement a "quality first" policy by paying particular attention to quality. In the past several years, the quality of our products has been fairly greatly improved. However, there are still many problems. The consumer departments have offered many pertinent suggestions concerning the quality of our steel products. These suggestions have been a great inspiration to our work. We must conscientiously accept these comments and suggestions, use them for our guidance in work, and

take positive remedial action. We must be sure that our products are attractive and low-priced, and that we have a complete assortment of varieties in meeting our customers requirements as part of our good services.

Along with the progress of technology, many sectors of the national economy have adopted new techniques, new technologies and new equipment, all having a common demand on steel materials. As many comrades have repeatedly pointed out, steel materials must be of fine quality. It is thus necessary for us to produce according to the international standards. In this respect, we still have a great deal to catch up with. We are now using the standards of 20-30 years ago for many of our products, and this situation can no longer be continued. We must have the determination to change gradually the main products--namely, oil pipelines, steel for ships to be exported, tubes for high-pressure boilers, container plates, heavy rails, vehicle wheels, wheel rims, steel for high-speed tools and tens of others--that are below the international standards, and organize our production according to the international or advanced foreign standards. Improvement in the quality of these products will lead to a general improvement of quality for other steel products.

All enterprises should further improve their services to the customers. From the development of new varieties to their popular use, the metallurgical enterprises should take the initiative of contacting the customers, listen to their views, offer technical services and consultations, and conscientiously study the feedback from the use of their products so that they can continue with the improvement. All integrated enterprises and special steel plants should have adequate organs and personnel to attend to this job.

II. Rely on Technological Progress To Tackle Key Problems in Science and Technology

In order to shift the production of low-alloy and alloy steels gradually on to a new foundation of technology, the scientific and technical /S&T/ personnel in various fields should be organized to orientate themselves to production and construction. There should be "four concentrations" of resources, namely, concentration on the important projects of technical transformation, concentration on the important issues raised in the realities of production, concentration on the study in new materials to be used in the state's key projects, and concentration on the advance work of the large key projects. We must proceed from reality, gradually establish various forms of scientific research-production integrations and actively prepare for the formation of development centers for low-alloy and alloy steels, for developing the technique of continuous casting, and for the testing of steel materials so that there will be a closer combination of scientific research, popularization and technical service. At present, we should attend to the following five tasks carefully:

1. Carefully carry out the tasks of tackling key problems.

These tasks have the following characteristics:

First, they closely center around the urgent needs of national economic development. Half of the tasks of tackling key problems of low-alloy steel, for example,

are concerned with the service to energy and transportation projects including the supply of atmospheric-corrosion-resistant steel, corrosion-resistant light rails for coal mining and forestry, steel for offshore drilling platforms and oil pipelines, U-shaped steel for toughened coal mining and high strength steel for anchor rings. Alloy steel is mostly used in the forms of stainless steel, ballbearing steel, high-speed steel, gear steel, spring steel, tool and pattern steel, and so forth to meet the urgent needs of different sectors of the national economy.

Second, we must pay attention to the production of complete sets of equipment. In tackling key problems, our efforts must be directed at the quality of various steel products as well as the techniques of producing powder for injection metallurgy, clad ferrous alloy, special refractory materials, ultra-high-efficiency electrodes, acicular coke and cold rollers. We must also study the development of welding materials so as to avoid any dislocation between main and auxiliary products, and more important still, the situation of "having cloth but no thread." These measures will help build up the capacity to produce complete sets of equipment and to put the equipment to popular use.

Third, we must pool our resources in the task of tackling key problems. Such tasks are mostly participated in by the metallurgical plants, the scientific research units, the universities and vocational colleges and the consumer departments, all organized as "a dragon," which will facilitate mutual coordination and the display of their individual merits. We must overcome departmental differences and conscientiously promote cooperation.

Fourth, we must pay attention to the improvement of comprehensive economic results. According to a rough estimate, the completion of the tasks of tackling key problems in combination with the necessary technical transformation will result in not only a fairly large increase in the annual income of the enterprises, but also in a fairly great improvement in the gross national economic benefits.

For these tasks, a responsibility system should be adopted for the units as well as the individuals with strict demands and verifications on their progress all through to the end. Each task should show results in, first, the development of products; second, the adoption of new techniques and technologies; and third, research in the related applied basic theories. To ensure the successful completion of these tasks, we should also study and discover the correct methods of management. The required funds for scientific research, decided on by the state should be properly arranged in order to give the necessary support. On the other hand, the units must strictly observe the principle of accomplishing more tasks with less money. The practice of getting more and using less, or diverting funds to other uses must be opposed.

2. Proceed with technical transformation in a planned way.

Technical transformation should be closely combined with the tasks of tackling key problems in S&T so that the fruits of such tasks can be directly used in production.

During the Sixth 5-Year Plan period, we should first transform some production lines. We should start with the transformation of those of some enterprises for high-speed steel, ballbearing steel and stainless steel. These production lines should be based on rational and advanced technology so that the quality of products can measure up to advanced international standards, and the percentage of useful materials can be considerably raised.

Second, we have to transform the finishing units of the small rolling machines for the specialized steel plants.

Third, we should systematically carry out the supplementary sequences of work before and after the operation of converters in several large steel plants and increase the percentage of low-alloy steel production. The continuous casting of special steels should be resolutely promoted so as to increase the percentage of useful materials and reduce production costs.

Fourth, we should selectively transform several sets of cold- and hot-plate rolling machines and rolling machines for seamless pipes in order to improve the quality of low-alloy steel plates and pipes and to increase their output.

Fifth, we should transform high-energy-consuming equipment, reduce the materials produced with igneous concentration, remold the heating furnaces and popularize the advanced technical experiences of energy saving so that the consumption of energy in all work sequences will be markedly reduced.

Sixth, we should step up our work in heat treatment. Both ordinary and specialized steel plants should attach great importance to heat treatment. Some carbon steel can show markedly improved mechanical performance after heat treatment, which, if effectively carried out, can also help save steel materials.

Seventh, while conducting technical transformation, we should simultaneously proceed with environmental protection, which should be up to the standards set by the state.

3. Actively assimilate, transplant and import new technologies.

Resources should be well organized for the thorough assimilation of the new technologies already imported. At present, our main task is to assimilate and transplant the advanced technologies of the Baoshan Iron and Steel Complex and the Wuhan Iron and Steel Co--the technologies which are urgently needed for the technical transformation of enterprises and are easy to transplant and popularize. All enterprises should actively transplant imported technologies in the light of actual conditions so that these technologies can be more extensively used.

To raise the level of special steel, we should also selectively import some new technical equipment, with particular attention to the importation of some software. All imported technologies should be treated as the common asset of the state, and technological blockades must be opposed.

Some equipment imported many years ago has not yet been put to regular use. We must take resolute measures to bring the operation of such equipment up to the designed capacity so that it can yield its investment returns as soon as possible.

4. Actively popularize advanced technical experiences.

Thanks to the common efforts of the relevant departments in the past several years, we have discovered some new technologies and new equipment that are suitable for our national conditions. They have played an important role in developing our low-alloy and alloy steels. In the last 3 years of the Sixth 5-Year Plan period, we must make great efforts to popularize the advanced technical experiences that have produced remarkable results in improving the quality, increasing the varieties and reducing the energy consumption in, for example, furnace refining, injection metallurgy, argon-blowing in ladles, the new techniques of smelting in electric furnaces, open sand casting with thermal insulating plates, controlled rolling, controlled cooling, heat treatment in protected atmosphere, walking-beam furnace, nondestructive flaw testing, and so forth.

The ordinary steel plants should extensively use the techniques of argon-blowing in ladles, powder-blowing in ladles after each heat, and controlled cooling for some minor materials; the treatment of residue heat and controlled rolling in continuous hot rolling machines. Priority should be given to the popularization of desulphurization in molten iron. Conditions should be created for the production of heavy rail steel and the use of deoxidation compound should be encouraged.

5. Intensify intellectual development for better personnel qualification.

In the final analysis, technological progress depends on the advancement of personnel. If the personnel cannot master modern S&T, there will be no realization of the four modernizations to speak of. In the past, we imported some advanced equipment but are still unable to put it into regular operation mainly because our personnel training program has been lagging behind. We must take this lesson seriously. While tackling key technical problems, all enterprises must place technical training in the foremost position in their meeting agenda so that it can be attended to in earnest as soon as possible. They must carry out not only general training for all the workers and staff members, but also special training for those who are in key positions and who will operate the imported equipment. They must be subjected to stiff tests and if they fail them they must be removed from their posts. They must also conscientiously implement the policy on intellectuals so that the intellectuals will have the opportunity to demonstrate their specialty and ability. At the same time, we must also provide the facilities for their "restudy" so as to keep their technological and vocational levels continuously raised.

III. Carefully Attend to Restructuring and Perfect Technical and Economic Policies

Comrade Yaobang recently pointed out that we must take restructuring as the guiding thought in the four modernizations program. We must conscientiously implement this important directive, actively and steadily carry out the restructuring, perfect the various technical and economic policies, and promote the development of low-alloy and alloy steels.

1. Determine a policy on the use of elements in accordance with the conditions of resources.

The resources of our alloy metal elements are characterized by the comparative abundance of tungsten, nickel, molybdenum, vanadium, titanium, niobium and rare earth, and the comparatively low grade of manganese. The development of low-alloy and alloy steels must be based on the properties of various types of steel. We must use the proper element which, however, must be used rationally and frugally. In accordance with the characteristics of our resources, we should develop those varieties containing the elements which abound in our country. Among these elements, some are products with a traditional superiority in our country, while others have undergone marked changes in the course of comprehensive utilization of mineral intergrowth. For example, our output of nickel was very small in the past, and therefore its use in alloy steel was limited. Now, we are entirely capable of developing nickel-containing steel by relying on our domestic resources. In future, even the use of abundant elements should be subjected to overall balancing. Also, to conserve energy and reduce production costs in smelting, we should use more intermediate products, such as white tungsten, molybdenum concentrate, ferrotitanium and so forth, and less refined products made of these elements.

Manganese is most extensively used in steel production, especially the production of low-alloy steel, spring steel and structural steel. We have very large industrial reserves of manganese, but its grade is low. In future, based on the characteristics of acid manganese, we should produce more silicon-manganese and reduce the consumption of silicon-iron and carbon manganese iron. We should make full use of the residual elements in pig iron, such as vanadium, titanium, niobium, rare earth and copper. We should also develop low-alloy steel in order to save on various types of alloy metal.

To make full use of alloy metal elements, we should step up the recovery, classification, storage, transportation and custody of discarded alloy steel.

2. Do a good job in the serialization of products and in specialized division of work.

In developing varieties, we should have a rational division of work among the enterprises according to their historical backgrounds and present situations. This will help us avoid duplication, on the one hand, and adverse effect on the users from incomplete specifications of some products, on the other. In developing low-alloy steel, besides designating the enterprises specially for its production, we should also carry out serialized production in accordance with the requirements of the consumer departments. In developing alloy steel, we should divide the work rationally among the specialized steel plants according to different types of steel. Each plant should have its own special task so that it can develop the products--such as high-speed steel, ballbearing steel, drill steel, etc.--for which it has its own special aptitude. We propose that each enterprise should develop its own competitive products or brandname products for the international and domestic markets. Although most plants are operating according to the historical division of work, some are now competing for the production of profitable products because of irrational prices, thus hindering

the realization of specialization. In the long run, prices which deviate from value will be readjusted, but changes in what is "small and complete" and "large and complete" will create new problems for the enterprises. All specialized steel enterprises should first consider the overall situation and willingly reorganize themselves gradually according to the stipulated orientation in order to promote the rapid and successful development of the alloy steel industry.

In order that the specialized steel plants can concentrate their resources on the development of alloy steel, several ordinary steel plants with favorable conditions should be selected to be completely equipped for the later sequences of work so that the production of carbon structural steel, now being undertaken by the specialized steel plants can gradually be transferred to the plants using converters.

3. Uphold the policy of good price for good quality and low price for low quality.

At present, some problems exist in the prices of our low-alloy and alloy steels. Some varieties involve high production costs and high prices, and others are priced so low that they cannot be easily developed.

In the past several years, we have cut the prices by 10-30 percent for some highly priced products, such as high-speed tool steel, ballbearing steel and stainless steel. On the future question of prices, our general orientation is to lower production costs by all means in the tradition of low prices for attractive products and large turnovers at low profit margins. This is particularly necessary because prices of some products at present are higher than the international market prices. Through more intensive control, we must carry out technical innovation and technical transformation in order to reduce our production costs by a fairly wide margin. As for those steel prices which are inconsistent with the principle of good price for good quality and low price for low quality, we plan to collaborate with the State General Administration of Prices in investigations and study, and then work out some plan for a gradual solution. As a general principle, there should be rises and falls which should tend to be equalized. Before the readjustment of prices, all enterprises should first consider the overall situation and actively undertake the production of some products that yield only low profits but are urgently needed by the state. As for the prices of special steel materials which can bring greater economic benefits to the users because of better quality, adjustments can be made after approval by the relevant departments according to the principle of benefits for both supply and demand and subject to agreement by both parties.

4. Carefully attend to the restructuring and actively raise funds for technical transformation.

As Premier Zhao has clearly directed, most metallurgical enterprises should adopt the method of paying taxes in lieu of turning in profits. As for some large enterprises whose tasks of technical transformation are heavy, the system of responsibility for profits in various forms can still be adopted provided there are suitable bases quotas and rates of progressive increases. We should collaborate with the people's provincial, municipal and autonomous regional

governments in conducting investigations and study and then work out the plans. On the basis of striving for development of production, we should see to it that the state will have the major portion, the enterprise will have the medium portion and the individuals will have the lesser portion, so as to gradually solve the problem of shortage of funds for technical transformation.

Under the correct leadership of the party Central Committee and the State Council; given the strong support and close cooperation of the State Scientific and Technological Commission; and through the unflagging efforts of all concerned, we can certainly boost the production of low-alloy and alloy steels fairly rapidly and make new contributions to the cause of socialist modernization!

9411

CSO: 4013/06

INDUSTRY

SPEEDY PRODUCTION OF LOW-ALLOY, ALLOY STEEL URGED

Beijing GANGTIE [IRON AND STEEL] in Chinese No 6, 1983 pp 1-6

[Article by Fang Yi [2455 3015]: "Exert Ourselves in the Struggle for Speedy Success in Producing Low-alloy and Alloy Steels in Our Country"]

[Text] The Ministry of Metallurgical Industry, the Shanghai Municipality and the State Scientific and Technological Commission have jointly convened the national conference on low-alloy and alloy steel to concentrate everybody's wisdom and discuss how to make a go of our effort to produce low-alloy and alloy steels, to improve their quality, to expand the varieties of such products, to reduce their energy consumption, to reduce their costs, and to raise their proportion in our steel production so as to meet the needs in the development of our undertakings of modernization. This is a matter of great significance. I would like to offer some opinions on this issue by mainly suggesting certain questions for discussion by all concerned.

I. The Generally Fine Situation Has Created Beneficial Conditions for Developing Our Low-Alloy and Alloy Steels

At present, the political and economic situations in our country are both fine. Since the 3d Plenary Session of the 11th CPC Central Committee, we have in our economic work conscientiously implemented the principle of readjusting, restructuring, consolidating and improving and gradually overcoming the long existing "Leftist" mistakes in our guiding ideology; the whole economic situation has thus been getting better and better each year. The 12th CPC Congress has proposed the magnificent program of bringing about an overall new situation in the construction of our socialist modernizations and determined the strategic goal, strategic points of emphasis, and strategic steps by the end of the present century. The Fifth Session of the Fifth NPC that convened subsequently again formulated our Sixth 5-Year Plan and passed the new constitution that guarantees the long governance and stability of our country. All above and below in the country have become high spirited; our work in all aspects has been progressing vigorously, and, for the sake of accelerating the speed of our development, we have been carrying out explorations in reform.

In the countryside, we have generally carried out the chain-production fixed-output responsibility system; the level of our production relations and productive forces has become more adaptable; the vast ranks of the peasants enjoy autonomy, their labor enthusiasm has increased unprecedently and the whole countryside has thus been thriving and enlivened with pleasure. Last year, principal agricultural products such as foodgrain, cotton, oil and sugar all had the highest levels of production in our history. The speed of increase in our diversified farming has been even greater. Income from the two avenues of collective distribution and family sideline enterprises by the peasants has increased 24 percent over that of 1981. The situation in agriculture being thus so fine, the development of our various undertakings has all come to have a fast, dependable foundation to rely on. The 800 million peasants are happy; the people of our whole country are happy; we feel that we are on solid ground now in running anything. This year the party Central Committee issued a document to prescribe carefully various policies in the development of our countryside economy; we can expect the situation in the whole countryside to progress vigorously day after day.

The situation in our industrial production is also fine. There has been a new development in the production of our consumer goods. The supply of our commodities has become more and more abundant, and our market more and more prosperous. Our heavy industry has gradually changed its service orientation and commodity structure; its production has turned from decrease to increase. Our financial returns have begun to reverse the down-turn tendency. There has been great improvement, after several years of readjustment in our national economy, in the proportionate relationship between accumulation and consumption and the proportionate relationship among agriculture, light industry and heavy industry.

The pace of reform in our economic realm and other respects has been accelerating. Not long ago Comrade Hu Yaobang made the important report on "The Construction of Our Four Modernizations and the Question of Reform," and thereby suggested a fundamental question regarding various aspects of work in our national economy. Reform is something we must carry out; without reform, it would be very difficult to realize the construction of our four modernizations. The overall requirement is for us to reform comprehensively and systematically, resolutely and orderly, with leadership and according to orderly steps. In the case of major reforms, we must go through a period of experiment to acquire necessary experience and then promote them. Once we do a good job in our reform work, the advance in the construction of our socialist modernization is bound to become accelerated.

The development of our industrial and agricultural production, the technological reform of our national economy, and the acceleration of the advance of the construction of our modernization have all come to suggest new tasks to our steel industry; they require our steel industry to raise quality, expand varieties of products, lower costs, and provide high-caliber products that can satisfy the needs of the various departments of our national economy and our national defense and military industry. These

new social needs make it necessary for our low-alloy and alloy steel to undergo development by a big margin. Our metallurgical industry departments must closely coordinate with the user departments in order to give full scope to the roles of the various forces in our production, scientific research, designing and the Academy of Sciences of China and our institutions of higher learning, so that we can make a go of our effort to produce low-alloy and alloy steels as soon as possible.

II. The Status and Role of Metals, Especially Low-Alloy and Alloy Steels, in the Construction of Our Four Modernizations

Materials are the material foundation of man's social life and the pillars of modern technology. In carrying forward the construction of our modernization, various trades and professions require materials of various nature and caliber. Supplying the time materials in the various kinds, descriptions, quality and quantity required by various circles is of great importance to raising the level of our production and the level of our technology.

Today, our materials industry already has a definite foundation. The materials of various kinds used by our national defense and military industry in respect to strategic missiles, nuclear weapons, artificial satellites and nuclear submarines are basically anchored inside the country. Basic materials for industrial use, and the output of a large contingent of new products, also mainly depend on materials produced by ourselves. But we should see that our present-day materials industry still can hardly meet the needs in the development of the construction of our modernization. Generally speaking, the materials we produce are still of limited varieties, low quality and consume a lot of energy. The quantities of many materials are also insufficient. The costs of certain materials are also quite high. On this, we must have some clear calculation.

We have cleared a large account: From 1950 to 1981, the various steel products we imported during those 31 years made up 22 percent of the total output of our steel products throughout those years. In importing so much in steel products, the money we spent almost equaled the total of all our investments in the steel industry. This is a very serious problem.

The party Central Committee and the State Council have always stressed the development of our steel industry. About this point, all comrades present know only too well. Comrade Xiaoping has pointed out, in steel we must have good steel, and materials we must have good materials. The party Central Committee and the State Council have already decided that we must give priority to low-alloy and alloy steels in terms of development. Comrade Zhao Ziyang emphatically pointed this out in his report on our Sixth 5-Year Plan. He said: "Our resources for developing alloy steels, especially low-alloy steels, are quite abundant; we must make full use of this strong point. We must decide, as an important policy with regard to technology, to endeavor to raise the ratio of alloy steels, especially low-alloy steels, in the production of our steels for the development of our metallurgical industry."

Why should we stress the development of our alloy steels, especially low-alloy steels? This has been proposed on the basis of the strategic task and strategic principle for the development of our economy from now on. In order to achieve a quadruple increase in our total industrial and agricultural output, vitalize our economy, resort to modernization, our economy must rely on technological progress and follow the new path of diversification of our products, high quality, low energy consumption and high results. In order to adapt to such a need, we must energetically develop our alloy and low-alloy steels.

During this conference, representatives from light industry, railways, boats, coal, petroleum and departments of the like reflected very well in their statements the series of urgent demands for alloy and low-alloy steels by their respective trades. Put in a nutshell, the development of our alloy and low-alloy steels is designed to adapt to our needs in the following five aspects.

First, there is the need to shift our national economy to a new technological foundation.

To improve our economic results and resort to modernization, we must develop new products, adopt new crafts, new technology and new equipment, and all of these now make strict demands on the caliber, quality, variety and specification of materials. We also want to develop integrated circuits, lasers, nuclear energy, superconduction and the like in a series of new production enterprises, and to these too, we must supply large quantities of new materials. Because alloy and low-alloy steels perform many exceptional functions, they are, therefore, the indispensable materials for developing new products, new crafts, new technology, new equipment and new production enterprises.

Second, there is need to strengthen our strategic points of emphasis such as energy, communications and transportation.

Frugal use of energy is a long-term policy in our economic and technological work. The manufacturing of highly effective energy-saving equipment cannot do without alloy and low-alloy steels. If we use steel in our generator assembling units, in our various boilers, and in our communications equipment by extensively adopting suitable alloy and low-alloy steels, the consumption of our energy can be greatly reduced. Along with the increased mechanization of our coal industry and progress in our exploitation technology, our requirement for varieties and quality of steel products has become higher and higher and of their quantity, greater and greater. Along with the development of offshore petroleum exploitation in the petroleum industry, large quantities of special steel products are now needed. For instance, offshore drilling platforms, because of the impact of the conditions of the oceanic geography, corrosion by sea water, weather conditions and other such complex factors, require a very high quality of steel; many of its key components require the use of alloy and low-alloy steels. The steels resistant to atmospheric corrosion low-alloy bridge steels, and modified spiral steels required by the railway

departments, as well as the low-alloy shipbuilding industry departments all are making new demands. The heavy rails required in the development of railway transportation, the light rails required in the transportation of coal, if made with corrosion-resistant and wear-resistant low-alloy steels, may have their life-span multiplied. The delivery pipes for petroleum, natural gas, coal gas and coal, if made with low-alloy steels instead of ordinary steels, may have their delivery pressure heightened by a large margin, with considerable economic results.

Third, there is the need to improve the people's standard of living.

Along with the gradual improvement of the people's living standards, the demand for the development of stainless steels, bicycle sheet-metal materials, organic coated steel plates and such materials required by the production of light industrial and textile consumer goods has now become a matter of urgency. For instance, there is a broad prospect of development among stainless steel products such as dining utensils, appliances, kitchen equipment, cookware, stoves and accessories, cutting utensils as well as certain articles of daily use. We must see that the needs of a population of 1 billion, especially the needs of the 800 million peasants in respect to their clothing, food, housing and transport make up a very big market.

Fourth, there is the need to reduce the gap of our metal materials required in the quadrupling of our industrial and agricultural overall output.

In order to realize the quadrupling of our industrial and agricultural overall output by the end of the present century, the quantity of steel required by various circles is very great. But, because we are subjected to energy and transportation constraints and limitations as to sources of capital and others, our speed of development during the Sixth 5-Year Plan and Seventh 5-Year Plan periods still cannot be very fast. This constitutes a contradiction between our supply and our demand. Under such circumstances, an energetic endeavor to develop low-alloy and alloy steels and bring their superiority into full play can save considerable steel products and prolong their endurance in use; this is an effective approach to reducing our gap in steel products. For example, if extra-strength low-alloy steel bars are used instead of ordinary carbon steel bars in construction, we can save about 30 percent of steel products.

Fifth, there is the need to strengthen our national defense.

The steel products required by the construction of our modernization in national defense are mostly special alloy and low-alloy steels. To develop space industry, thermophilic, extra-strength materials are required; to improve the cruising radius and submersion depth of our submarines and nuclear submarines, extra-strength, corrosion-resistant materials are required; to improve the attack-resistant caliber of our tanks, highly resilient materials are required; to improve the resistant functions of radar and electronics, ball-bearing materials that engender automatic

lubrication, high endurance, and quick adaptation under high temperature are required; etc.. All of these can hardly do without low-alloy and alloy steels.

To sum up, the development of alloy steels, especially low-alloy steels, is of great importance to the construction of our modernization. Our comrades who are engaged in this aspect of work must recognize clearly the heavy responsibility on their shoulders and do all they can to handle this task well.

III. Several Guiding Ideas That Need To Be Clearly Defined

There is a not very small gap between the quality, varieties, energy consumption, rate of successful production, cost of our alloy and low-alloy steels and their proportion in the overall output of our steel products in comparison with those of the developed countries. To transform our existing technical equipment for production well, not insignificant funds are also required. This is an impediment in our march forward.

But we must also see that we also have not a few beneficial conditions for developing our low-alloy and alloy steels. One is that our elemental resources for developing low-alloy steels are rather abundant; except that our chromium and cobalt deposits are insufficient and our manganese products rank rather low, the deposits of our wolfram, nickle, molybdenum, vanadium, titanium, niobium, and rare earth are all very rich. This is an important beneficial condition for developing our low-alloy steels and alloy steels. Another is that we have a definite technical foundation for production. After 30-odd years of exertion, advancing from nonexistence to possession, from small to large quantities, there are already more than 600 varieties of alloy steels and nearly 100 varieties of low-alloy steels we have now produced; our production has reached a definite quantity, and we have achieved a definite production capacity, accumulated definite technical experiences in production, and trained a contingent of technical force.

With these two beneficial conditions, so long as our policies remain correct and our measures effective, we can certainly make a go of our production of low-alloy and alloy steels.

In summing up our past experiences and lessons, for the sake of effecting a good and fast development of our low-alloy and alloy steels, and on the basis of opinions profered by quite a few comrades at the conference, I think we should clearly define the following guiding ideas:

First, we must adhere to the principle of quality first.

In order to follow fewer roundabout routes in the development of our low-alloy and alloy steels, we must put the quality of our products on a salient spot. This is an important policy question. While we have already produced and test-produced quite a few varieties and specifications of alloy and low-alloy steels, quite a few of them are low in quality and

unstable in caliber. This makes quite a few users unable to relax about certain native-produced steel products or even unwilling to use them; they choose to, instead, to import them. Our products do not have the competitive capability; generally speaking, quality is the question of first importance. We must create conditions to adopt as soon as possible the international advanced standard as the standard of our country. In terms of the direction of effort for our producing factories, we should also base ourselves on the users' actual needs and make the standard of our actual products higher than the international standard. We must establish for ourselves this goal: We must endeavor in an orderly manner to produce a batch of reputable brands of products in low-alloy and alloy steels in order to satisfy the needs of domestic and foreign users.

Second, we must energetically reduce our cost.

At present, there are many contradictions in the question of price about our low-alloy and alloy steels. Such contradictions were also reflected in the briefing statements made at the conference this time. The question of price is rather complicated; we need to proceed from several aspects in conducting our analysis and adopting coping measures. One is to refrain from seeing only the price differences between different products of different qualities, but also study the question of price from a macroscopic view, from the aspects of comprehensive economic results and social effects. If the results of a given product with respect to our national economy are great, our state should adopt the necessary policy of supporting it. A second is to adhere to the principle of pricing on the basis of quality and proceed to give a higher price to products of a higher quality, and a lower price to products of a lower quality; also, in the case of individual inferior and outdated products, a punishing price must be prescribed. In the case of those which do not accord with this principle, we should proceed to readjust them in a planned manner so as to keep enthusiasm by both the supply and the demand side. A third is, from the standpoint of the producing factories, we must improve the competitive capability of our products through the adoption of advanced crafts and techniques and improvement of our management, continued reduction of our costs, and the production of fine goods at low prices as the direction of our endeavor. As regards management, we must take low profit and large volume of sale as our principle so as to facilitate the opening up of sales outlets for our products and thereby obtain greater economic results.

Third, we ourselves must establish the standpoint of striving to satisfy users' needs and serving users.

In pursuing the technical development and organizing the production of our low-alloy and alloy steels, we aim, in the final analysis, at satisfying the needs of our users. Our steel plants must reinforce their service to users. The need of our users for our products is not something fixed without any change; a relationship of regular contact and cooperation must be established between our steel plants and their users so that the views of users can feed back in time to the steel plants, and their production can, therefore, continue to achieve advancement and improvement. When

developing new varieties of steel, we must not only study the techniques of producing such varieties, but also study as well as develop the technical conditions for using such varieties.

Fourth, we must gradually shift the production of our low-alloy and alloy steels to a new technological basis.

The reason why the varieties, quality, and various technical and economic indicators of our low-alloy and alloy steels are backward is, in the final analysis, because our techniques and technical equipment are backward; such a situation has come into being under definite historical conditions. We must gradually change such a backward outlook through jointly tackling of our bottlenecks, by way of science and technology and through technical transformation. We must also pay attention to the trends of technological development abroad, carry out some pioneering research projects, and strengthen our theoretical research.

IV. A Few Principal Tasks

In order to bring about a new situation in the production of our low-alloy and alloy steels, we need during the forthcoming period to closely grasp a few principal tasks as follows:

1. Formulate correct technical policies.

Technical policies should include ingredients in two categories: One is the goal and level of development. This is a big question which we must proceed from reality to study meticulously and discuss carefully. The other is what technology to promote and develop, what technology to limit, and what technology to eliminate. This requires us to comprehensively consider our existing technical capability, economic level, and natural resources and conditions, etc. Viewed from the standpoint of developing our low-alloy and alloy steels, the guidance of correct technical policies is always required in terms of the readjustment of their commodity structure, the direction of their technical transformation, the use of certain grades of steels, elimination, as well as development.

To develop our low-alloy and alloy steels, we should have a rather stable, scientific policy on the use of alloy elements. A few years ago, there was a situation in which the use of nickel and vanadium elements was restricted; in recent years, we have continued to grasp comprehensive use of resources from our paragenetic mines which have a mixture of various ores and thereby caused some changes in the technical exploration and production situation of our metals such as nickel, vanadium, titanium, niobium, and rare earth; our power of initiative has also increased. In the development of our low-alloy and alloy steels, our overall principle is to scientifically and rationally use our alloy elements according to the calibers of the varieties of steel products required, so that whatever elements needed are used where they should be used. We must, however, pay attention to rational and frugal use. In the case of elements we lack or whose exploitation proves difficult, we can import

them. In the case of elements which we have in abundant supply, we can also develop sophisticated processed products for export. In the meantime, we should also, on the basis of the situation about the elements we have in abundant supply, develop some varieties of steel which are of exceptional quality, economically rational and fraught with our own characteristics.

We must seek to formulate a text as soon as possible on the key points of our technical policies regarding the development of our low-alloy and alloy steels.

2. Do a good job in planning our development.

Please discuss and revise the plan for developing our low-alloy steels and alloy steels during our Sixth 5-Year Plan period and, on the basis of this and through investigation and study, formulate the developing plan for the Seventh 5-Year Plan period up to the end of the present century.

In the first place, we must do a good job in market investigation in order to learn clearly about the varieties, quality and quantities of steel products required in the various departments of our national economy, especially to learn about the heavy and broad materials needs in our energy, transportation, machinery, construction and consumer goods industries as well as the special needs in materials and quality in our newly established industries and our national defense industries. For instance, in the case of our railroad locomotives, if we gradually change them so that they are built with weather-resistant steel as a whole, we would need to use large quantities of steel each year.

In order to make our plans practical and feasible, we must also carefully study various possible conditions and limiting factors. For instance, with regard to the situation of the exploration of alloy elements, the rational assignment of productive forces according to the energy resources and transportation conditions of the different regions, the possibility of acquiring the necessary accumulation, and the possibility of supplying needed equipment are matters that must not be blindly developed all at once without relevant preparation or without paying attention to reality.

3. Conscientiously do a good job in the study and development of fields for the use of low-alloy and alloy steels.

In order to make a go of the production of our low-alloy and alloy steels, it is necessary to energetically develop fields for their use. It is also necessary to have scientific research, designing, production and user units put up common efforts so as to combine the exploration of materials and the study and development of fields for their use closely with the exploration itself and have them dovetail into one another.

In the exploration and promotion of new varieties of products, we must get a handle on providing the necessary accessories, stress application and pay attention to practical results. The manufacturing of an advanced piece of equipment requires several, or even scores of varieties of steel products

and hundreds of specifications. Once a particular variety of steel products is successfully test-produced, if it cannot be appropriately used, other materials cannot catch up and, similarly, neither can their promotion make any headway. Of course, this involves the question of design, which must be determined by policies and laws of the state.

In order to do a good job in the study and development of our low-alloy and alloy steels, it is also necessary to formulate corresponding laws and regulations on the use of such products. Be it a production department or user department, it must proceed from the comprehensive economic results and social effects with respect to the state as a whole and achieve rationality in producing materials and in using materials.

We must, on the basis of our needs, closely grasp our work in sorting out our existing varieties of steel products and in improving and perfecting them. We can produce more than 700 varieties of low-alloy and alloy steels; this is a great achievement. We should conscientiously sift them according to our social needs and, in the case of those which are economical and useful and which have a future in development, provide them with strategic support and continue to improve and develop them. Whatever should be transferred for production elsewhere must be so transferred, and whatever should be subsumed under standardized production must be so subsumed with the necessary conditions created accordingly.

4. Organize well the technical tackling of key issues.

In order to enable the development of our low-alloy steels and alloy steels to achieve high quality, low cost, and greater speed, we must organize our scientific research departments, designing departments, production departments and user departments and, around the exploration of our products and their use, proceed to tackle our bottlenecks.

While organizing such tackling of our bottlenecks, we must grasp well several aspects of our work:

a) We must concentrate necessary manpower, material resources, and financial resources to arrange systematically and orderly, first of all, the materials to be used by important new technology and new equipment and other issues of great weight, broad coverage and conspicuous economic results. We must also make appropriate arrangements for issues concerning important basic and auxiliary materials in a complete set.

b) We must organize scientific research, production and use well into a chain process and also the tackling of bottlenecks in scientific research, technical transformation and the development of our products into a chain process. We must energetically promote the spirit of close cooperation and mutual coordination between units and individuals.

c) We must earnestly do a good job in promoting and applying the results of our scientific research and in technological transfer and dispersion.

d) We must give full scope to the role of scientific research personnel, establish a clear technical responsibility system, combine responsibility with authority and benefits, ascribe responsibility to the individual unit and to the individual person, make our requirements strict, and handle all this from beginning to end.

V. Grasp Well the Technical Transformation of the Steel Industry Itself

The technical transformation of the steel industry must be undertaken around the overall goal of achieving a doubling of our steel output and more than doubling of our economic results under the premise of not increasing our energy consumption by the end of the present century. We must link with our actual situation, go through domestic scientific research as well as technological importation, gradually popularize in our country the production techniques already adopted by the economically developed countries in the production of low-alloy and alloy steels in the 1970's or early 1980's, such as chain casting, refinement outside the furnace, high-efficiency and extra-efficiency large electric furnace operations, controlled cutting, controlled cooling, hydro-pressure fine adjustment, protective atmospheric heat processing, and on-line inspection.

We must extensively promote our existing advanced techniques. Several years ago the Ministry of Metallurgical Industry promoted throughout its trade 37 advanced techniques and reaped great results. Most recently, it proposed to promote 60 advanced techniques during the Sixth 5-Year Plan period and also asked that they be incorporated into plans and regulations so that they can be popularized with the time limit. This is an approach and measure which costs little money but expects fast results.

We must, passively, digest and transplant the imported techniques. In our metallurgical industry, apart from the Wuhan Steel Works and Baoshan Steel Works which have already imported complete sets of technical equipment, we have also imported other advanced equipment such as refining furnaces, vacuum induction furnaces, electric slag furnaces, refining machines, fast-refining machines, and small continuous casting machines. We must conscientiously learn to handle these new techniques and new equipment, digest them, imitate-produce them, improve them, and use them. Most recently, our state was planning to import a batch of necessary advanced technologies, especially software technologies, to improve our technological level.

Doing things this way is, first, faster in winning more time; second, is frugal in spending less of the country's foreign exchange and, third, place in convenient in training our own technical forces.

We must determine an advanced, rational line on technical workmanship. In our subsequent large-scale repair and modification of our equipment, we must all prescribe items that should be added and taken away; whatever should be eliminated must be resolutely eliminated so as to promote a technological renovation.

In the development of our low-alloy and alloy steels, there are also some questions on our economic policy that need to be studied and solved. Our Ministry of Metallurgical Industry is invited to propose jointly with other concerned departments a concrete program to submit to the State Council for examination and approval.

In the above, I have on the question of developing our low-alloy and alloy steels expressed some views for everybody to discuss and study. We believe that, through discussion, we are bound to emancipate our thinking further, become determined to carry out necessary reforms, work together, concentrate our forces, make a go of the production of our low-alloy and alloy steels quickly, and make due contributions to the shifting of our national economy to a new technological basis and to the realization of the quadrupling of our yearly industrial and agricultural overall output.

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CNO: 4913/05

INDUSTRY

GANSU PRODUCES MORE RAW, OTHER MATERIALS

OW051146 Beijing XINHUA in English 0914 GMT 5 Nov 83

[Text] Lanzhou, November 5 (XINHUA)--Gansu Province, with good reserves of rare earths, copper, nickle, lead, zinc, limestone and other minerals, has expanded production of raw and other materials to meet the demands of manufacturers in coastal and other developed areas, according to the provincial industrial department.

Annual production capacity in Gansu of chlorinated rare earths grew from 2,000 tons in 1978 to 9,000 tons by the end of July, this year, while the number of rare-earth oxides increased from five to 15, including europium, samrium and lanthanum oxides. These and other rare earths produced in the province supply over half of China's needs. Rare earths are widely applied in lasers, microwave technology, special alloys, optical glass and other fields.

Cooperation with Shanghai, Tianjin and other regions has helped upgrade industrial enterprises in Gansu. Since 1982, ten provinces and regions have provided the province with 107 million yuan to build or expand metallurgical, coal mining, chemical and building materials enterprises.

The Lanzhou plate glass works is being expanded with funds from the state and Qinghai Province. Completion of the project is expected to raise its annual production capacity from the present 1.2 million standard crates to 2.8 million in two and a half years.

Gansu has also raised more than 10 million yuan to transform 59 local cement works, which account for more than half of the province's total output. Many of them have streamlined their production processes, added new equipment including stoving, burdening and testing facilities, and retrained their technical personnel. Now the combined annual capacity has increased to 1.1 million tons. In the first seven months of this year, they produced 780,000 tons of cement, an 18 percent increase, and made a profit of 8.75 million yuan, a 37 percent increase over 1982's like period.

Good use has also been made of its water resources to provide energy to the materials industry. Four hydroelectric power stations have been built on the Yellow River and the Bailong River. Plus thermal power stations, the province's total generating capacity has reached three million kilowatts. The province has cooperated with other provinces and cities suffering from energy shortage in running silicon iron and other ferroalloy enterprises which consumes a large quantity of electricity.

CSO: 4020/028

INDUSTRY

SEVEN SATELLITE CITIES GROW UP AROUND SHANGHAI

OW061733 Beijing XINHUA in English 1603 GMT 6 Nov 83

[Text] Shanghai, November 6 (XINHUA)--Seven satellite towns have gone up on the outskirts of Shanghai, China's largest industrial center with a population of 11.8 million, according to the municipal construction commission.

The municipal government is working out an over-all plan for city construction which envisages further industrial expansion for the satellite towns. The expansion will also help reduce the concentration of population in the city proper.

At a fair distance from the city proper, the satellite towns have a combined population of 400,000 and are developing into iron and steel, machine building, motor vehicle, petrochemical and other industrial centers.

They have 300 large and medium-sized enterprises with an annual output value of seven billion yuan, one ninth of the city's total.

Jinshan, now a petrochemical center, was a tract of wasteland by the East China Sea ten years ago. Construction of a large petrochemical projected started here in 1974. Now the plant is producing 100,000 tons of chemical fibers a year. There are also apartment houses, stores, clinics, cinemas and theaters, kindergartens, and primary, secondary and technical schools.

The second stage of the petrochemical project's construction is now under way. When completed, the Jinshan General Petrochemical Works will increase its annual production capacity of chemical fibers by 200,000 tons.

To the north of Shanghai the Baoshan iron and steel complex, one of China's biggest, is under construction. Some of China's largest blast furnaces and converters have been installed, and a big power plant, a wharf with modern equipment and other auxiliary facilities completed. Housing with a floor space of 600,000 square meters has gone up.

The complex will turn out six million tons of iron, six million tons of steel and four million tons of rolled steel annually when it goes into full operation.

In Minhang, where a machine building center was started in the 1950's for producing heavy duty machinery and large power equipment, a new industrial area is being established for joint ventures using Chinese and Hong Kong, Macao or foreign investment.

Two other satellite towns, Jiading and Songjiang, have been developed from old county towns dating back several hundred years. Jiading now has a number of scientific research institutes and factories making light industrial products and meters and instruments.

CSO: 4020/028

INDUSTRY

BRIEFS

SHANDONG CONSTRUCTION PROGRESS--Of 27 large and middle-sized construction projects covered by the state plan, which have been undertaken by Shandong Province, six projects and single-item projects were basically accomplished, including the Yantai synthetic leather plant; the Liangzhuang coal pit and coal-dressing plant under the Xinwen mining zone; the new additional equipment of cement plant under the Shendong aluminum plant; the new production line of Nanshu graphite mine; and the new generating set of Huangtai power plant. As of the end of September, the province had spent more than 630 million yuan on building the Yantai synthetic leather plant, the Shijiu harbor, the Yan-Shi railway line, the Jiao-Ji railway branch line, and the Yanzhou mining zone. As of 10 October, the province completed the building of the four extra large railway bridges along the new Yan-Shi railway line, which total 5,637 meters long and contain 170 piers. [Summary] [SK080152 Jinan DAZHONG RIBAO in Chinese 15 Oct 83 p 1]

CSO: 4006/123

CONSTRUCTION

MAYOR URGES TIANJIN TO COMPLETE CONSTRUCTION WORK

Tianjin TIANJIN RIBAO in Chinese 30 Jul 83 p 1

[Article: "Carry Forward the Spirit of Yinluan, Complete the Task of Capital Construction: Yesterday in Tianjin There Was a Town and Village Construction Meeting which Made Arrangements for Work in the Second Half of the Year"]

[Text] Concerning Tianjin's capital construction, in the first half of this year we conscientiously carried out our quotas and acted in the spirit of the party Central Committee, the State Council, the municipal committee and municipal government. We rigidly controlled the scale of capital construction, concentrated our strength in accelerating the construction of key projects, guaranteed earthquake relief, especially in completing the task of constructing residences and we worked hard to improve the results of capital construction. During the first half of the year, investments in capital construction exceeded 886 million yuan, a 30 percent increase compared to the same period last year. This was discussed by the leading cadres of the Town and Village Construction Committee when, in yesterday morning's Town and Village Construction Meeting they summarized and analyzed the experience and situation of capital construction for the first half of this year. Mayor Li Ruihuan [2621 3843 3883] was present and spoke at the meeting.

In the first half of this year, Tianjin's capital construction proceeded smoothly and achieved remarkable success. Within the national plan, the level of medium and large projects that were completed was high and the rate of progress was fast. Such projects as the Luan River water diversion project, the expansion of Tianjin Harbor, Dagang Oilfield, winding up construction of the petrochemical fiber plant, and the Ji Xian section of the Beijing to Qinhuangdao Railroad have all been completed on schedule or their construction is proceeding on schedule, and we have gained successful experience. The rate of progress was also fairly fast in a long-distance communications center, three telephone exchanges, the Wujia Yao Post and Telecommunications Office, and in other projects in the post and telecommunications field. The rate of progress was also fairly fast in the Zhenhua Woolen Mill, the Huaxin Woolen Mill, the Seijhou Repair Plant, the Guangrong Soy Sauce Factory, and in other projects with technological transformations. Concerning the construction of residences, in the first half of this year the area totaled 5,655,000 square meters, a slight increase

compared to the same period last year. Of this, the construction of residences that is fully underway amounts to 4.2 million square meters, an increase of 200,000 square meters over the same period last year. In the construction of government and public projects, the construction of many fairly large projects is proceeding smoothly: the construction of a sewage treatment plant, the Xijiao Coal Gasification Plant, Daguangming Bridge and the Jieyuan Water Plant, respectively, has proceeded according to plan. The construction of cultural and educational and health projects is fully underway. Within this year, we plan to have completed and handed over 179,000 square meters for use by colleges and universities, high schools and elementary schools, and in the first half of this year we started construction of more than 273,000 square meters. In addition, new progress has also been made in planning, survey and design work.

In his speech, Li Ruihuan commended the entire municipality's capital construction movement for expanding worker spirit in construction in the first half of the year to make a concerted effort to ensure key construction and to break through barriers. At the same time he pointed out that a serious task confronting us is how we are to complete this year's capital construction tasks in the second half of the year on the basis of ensuring the nation's key projects. Although the construction of residences this year is already fully underway, yet our position is low relative to the same period last year. In the first half of last year the main body of the area of construction totaled 3,234,000 square meters, 220,000 meters less than the same period last year. Currently, we are not only starting work late, but the rainy season has arrived. Faced with these difficulties, we must first earnestly carry out the strategic decisions of the party Central Committee concerning controlling the scale of capital construction and ensuring key construction. We must resolutely push forward both the key projects of the nation that are in Tianjin and Tianjin's own key projects that the state has approved. At the same time, we must guarantee earthquake relief, especially in completing the task of constructing new residences, and we must cause the total area of completed construction to total 3.5 million square meters.

Li Ruihuan said that the entire municipality's expanded work force in the capital construction front must carry forward the spirit of the Luan River project, urgently be mobilized into action, and strive hard to engage in great achievements in the second half of the year. Just on the Luan River diversion project we must arouse those taking part in the struggle to combine their own jobs with the overall situation of the nation, and we must cherish the conviction of redoubling our efforts for the benefit of the people. Just like the Luan River project, united and tenacious, we must go forward, face our difficulties, and be bold in ensuring victory. Just like at the Luan River project, the leading cadres in each line of command must put each job in a realistic place; on every level we must implement an economic system of responsibility, set up a state of military orders, divide up work and assign a part to each individual and group, and for each link we must ensure that we complete this year's construction.

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(50) 4010/100

CONSTRUCTION

INDISCRIMINATE FEES FOR CONSTRUCTION UNITS HANDLED

Yinchuan NINGXIA RIBAO in Chinese 17 Jul 83 p 2

[Report by Yu Chunqun (7625 2504 5028): "Checking up on the Problems of Indiscriminate Collection of Fees from the Construction Units"]

[Text] The preliminary checkup up to 16 July by the autonomous regional branch of the Construction Bank revealed the following situations of indiscriminately inflating the prices of the means of production and indiscriminately collecting fees from the construction units in our region:

1. Indiscriminately collecting fees from the key construction units. The Dawukou Power Plant is one of the key construction projects in our region. The building units responsible for construction did not abide by the concerned fees stipulated by the autonomous region. For instance, the fees for the large-scale temporary facilities were set at 3 percent. The building units collected the fees at 5.2 percent. The figures for the fixed quota contracting were also 1 percent higher. The criteria for the fixed quota of capital construction earthwork were all set according to the high fees of vehicular delivery. More than 220,000 yuan were collected in 1982 for these three items alone. The Pingluo County Sugar Refinery is also a key project in our region. In order to ensure its entry into production by the end of 1984, it was decided that "rush construction" would be launched in some projects. The construction department proposed the collection of 620,000 yuan of "rush construction fees" (including rush construction fees, bonuses for completion of work ahead of schedule, and nighttime construction work rate), which increased the investment in capital construction.
2. Driving up the fees for taking over land for use. Last year, the concerned departments approved of taking over for use 10 mu of the housing quarters of the veteran cadres of the Yinnan Prefecture. The fee for each mu was 15,500 yuan, for a total of 155,000 yuan. But 158,000 yuan was paid in actuality. The Yinnan Power Supply Station was responsible for the repairs of the power transmission lines from Houqiao to Cucheng; 150,000 yuan of fees for taking over land for use and compensation fees for planting trees were paid. But because some production teams worked night and day transplanting tree saplings on irrigation embankments, the state was obliged to pay an extra 20,000 yuan.

3. Indiscriminately collecting fees for surveying and designing. Since 1982, some design departments in our region concocted various pretexts to get overtime fees, bonuses and allowances for business trips. For instance, in the agreement on contracting the construction drawings and designs signed between a designing office and the Yinchuan Polyester Fiber Silk Reeling Factory, the following was written: There will be a 0.05 percent bonus if the design drawings are done on schedule, and there will be a 0.15 percent bonus if the design drawings are done ahead of schedule. In addition, 1,500 yuan of bonus should be given to the concerned designing personnel of the designing institute of the textile department, and this bonus will be listed as part of the building budgetary estimate. Another instance is that a certain construction company had the design drawings of a group of large housing quarters and a unit would have to pay a fee of 3,000 yuan to use the design drawings for just one time.

4. The collection from the civil construction works was also extremely serious. After the completion of the office building of the Ningxia Construction General Co, the street in front of the building was not repaired. The city administration units asked the company to put out 80,000 yuan for repairs. If the company had the money, then repairs would be carried out. If not, no repairs would be carried out. The Ningxia Construction General Co was obliged to spend this 80,000 yuan. As a result, the street was repaired within a month.

5. Seizing the opportunity of unified construction, the Yinchuan Municipal Development Co used the residential buildings for the residents to exchange for 786 square meters of office buildings for the company itself, and violated financial and economic disciplines.

The leadership of the regional branch of the Construction Bank held that the appearance of the above-mentioned problems, in addition to some objective causes, was primarily because the supervision by the construction bank itself was not strict enough. For instance, a certain construction materials geological team asked a 300,000-ton cement factory construction preparatory office to carry out a geological survey on 6 wells with a total depth of 95 meters. The survey unit, presenting the geological report, asked for a fee of some 105,300 yuan. The construction bank did not put a check on this. Some collection fees were even brought about with the intercession of the leadership. The Ningxia Xinhua No 1 Printing Factory took over for use 10 mu of wasteland from the farm of a certain unit. The unit asked for a fee of 126,000 yuan for the land taken over for use. The Yinchuan Municipal Branch of the Construction Bank did not agree to appropriate the funds, but the concerned leadership gave instructions to pay the fee for the land taken over for use, and stated that he would be responsible for any problems. By April of this year, 60,000 yuan were already paid.

The leadership of the regional branch of the Construction Bank said that they would ride on the east wind of the "urgent notice" of the Central Discipline Inspection Commission to further carry out checkups, propose ideas of how to handle each case, obtain the support from the leading departments and act strictly in accordance with the document of the central authorities.

CONSTRUCTION

BRIEFS

DALIAN PIER--Shenyang, 5 Nov (XINHUA)--A fitting-out pier for 100,000-ton ships has been completed and put into service at the Dalian shipyard in northeast China, according to a shipyard official. Construction of the pier, China's largest, began in 1981. The pier is 316 meters long and 19 meters wide. Together with an existing slip dock, it makes the shipyard capable of building 100,000-ton class ships. A 65,000-ton class oil tanker is already under construction at Dalian. Associated plants there produce China's largest diesel engines and propellers. [Text] [Beijing XINHUA in English 1044 GMT 5 Nov 83 OW]

CSO: 4020/028

DOMESTIC TRADE

MARKET MANAGEMENT MUST FACILITATE COMMODITY CIRCULATION

Beijing RENMIN RIBAO in Chinese 25 Sep 83 p 5

[Article by Gong Xiaolan [7895 2556 1526]: "Market Management Must Facilitate Commodity Circulation"]

[Text] With the implementation in recent years of the open door policy and the policy to invigorate the domestic economy, there has been a rapid development in the socialist production and exchange of commodities, increased activity in the market and vigorous development of the national economy.

Certain phenomena have, however, emerged in some localities. For instance, some units and individuals have resold major means of production at higher prices, some have hoarded supplies under national planning, some have engaged in profiteering by dealing in commodities in short supply, some have raised prices without authorization or under false pretenses, some have mixed what is spurious with what is genuine, some have represented inferior commodities as quality commodities and some have cheated by resorting to short weights and measures at the expense of the masses, some have ganged up in buying and selling by forceful means and some have used deceit in cornering the market. Such illegal acts have upset the stability of commodity prices, undermined the economic order and damaged the interests of large numbers of consumers. For this reason, it is a matter of great importance to strengthen market management, to protect lawful operations and to put a stop to illegal buying and selling.

How are we to deal with such problems which have emerged in the market? Some people are of the opinion that since such problems are the outcome of relaxation to invigorate the economy, the way to strengthen market management is to restore the strict control which had been exercised in the past. Their view is obviously mistaken.

At present, our economy is in a transitional stage in the adoption of multiple economic forms, multiple patterns of operation and multiple avenues of circulation in the economic structure. This represents significant change of a profound character. During this transitional period, it is only to be expected that new situations and new problems would arise in the market. Due to the weakness which has long plagued our economic

supervisory structure, it is obviously no longer adequate in meeting the present demand for economic development. The chaotic state in the market is to be expected when changes are in progress. If only we would engage in a serious study of the problems, make good use of the sum of our experiences at the proper time and continue to perfect the regulatory system, a solution could no doubt be found.

In stressing the importance of market management, does it mean that we should suspend our efforts to invigorate the market and that we should beat a "retreat"? The answer is no. The economy must, of course, be invigorated and properly managed. There must be a proper degree of centralization and decentralization. We must ensure the implementation of our national plan and make full use of market adjustments. We must not stress the importance of something and overlook that of something else arbitrarily.

Ours being a socialist nation, our economy must be a planned economy. All economic activities must conform with the policy, laws and decrees and plans of the nation. When talking about invigorating the economy, we must go about it under the control of the state rather than doing what happens to strike our fancy. Otherwise, the term socialist economy would have no meaning. The purpose of market management is to facilitate the circulation of commodities and to promote rather than to impede the flow of commodities. For this reason, we must under no circumstance put control in opposition to invigoration. Those who equate invigoration with non-interference and management with stifling control are obviously mistaken.

Market management calls for dynamic vitality without disorder and control that does not stifle. To meet this demand, it is vitally important to adopt various methods of management to suit different situations and objectives. Everything differs in thousands of ways and the market is subject to a variety of complicated situations. The arbitrary use of cut-and-dried methods in dealing with a complexity of problems is doomed to failure, because it will either result in ineffective or stifling control. In our opinion, the proper thing to do is to exercise control when it is called for, to relax control when relaxation is indicated, to protect proper transactions, to put an end to illegal operations and to deal a crucial blow to speculation and profiteering. It is only thus that we can speed up the circulation of commodities.

What are the problems that call for attention in market management?

First of all, we must uphold the national plan, ensure its implementation and put an end to the panic purchasing of supplies under the national plan, the resale of major means of production and activities which do damage to the national plan. The peak period for purchasing subsidiary agricultural products is just around the corner. The communes and brigades as well as commune members must be urged to fulfill the task of exclusive purchasing and assigned purchasing by the state and abide by contract terms for negotiated purchasing. So long as they have fulfilled the purchasing quotas

set by the state, the communes and brigades as well as commune members should be permitted to sell subsidiary agricultural products that remain and to engage in the long-distance shipment of subsidiary agricultural products according to stipulations set by the national plan.

Second, we must ensure the stability of commodity prices and see to it that the state and the collective and individual commercial enterprises observe price control regulations. They must be forbidden to raise prices at random or under false pretenses, to represent inferior products as quality products, to mix what is spurious with what is genuine and to buy up commodities in short supply to sell them at higher prices.

Third, we must strengthen control over individual and collective industrial and commercial enterprises and see to it that they engage in production within the range of the commodities and localities set by the industrial and commercial administration departments. They must display their permits, have prices prominently marked, submit to control and pay taxes according to regulations. They must be forbidden to engage in operations without permits.

Fourth, we must sternly deal with criminal economic activities. There are those who would take advantage of the relaxation of policy and the policy to invigorate the economy to engage in criminal economic activities. Some would engage in speculation and profiteering, some would evade the payment of taxes, some would engage in graft and embezzlement and some would palm off commodities under false labels. Unless an end is put to such criminal activities, it would not be possible to implement effectively the policy of opening the door to the outside world and of invigorating the economy domestically. This is a long-term continuing struggle and an important task which must not be overlooked in market management.

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Q10: 1006/12

DOMESTIC TRADE

GUIDANCE, CONTROL OF INDIVIDUAL ECONOMY DISCUSSED

Beijing JINGJI RIBAO in Chinese 20 Jul 83 p 3

[Article by Jia Jianguo [6328 1696 0948]: "Strengthen the Leadership and Control Over the Individual Economy of the Cities and Towns"]

[Text] This article is attempting to probe the questions as to why it is necessary to strengthen leadership and control over the development of the individual economy in the cities and towns and how leadership and control can be strengthened.

I. Leadership and Control Must Be Strengthened

Through leadership and control, the state can guide, assist and supervise the individual economy in the cities and towns. The purpose is to enable it to develop healthily in the direction of socialism and to better bring its supplementary role into play in the economy under the system of public ownership.

Fundamentally speaking, that we must implement this kind of leadership and control is determined by the position, role and nature of the individual economy in the cities and towns.

First, historically the individual economy in the cities and towns has never been an economy that occupies a ruling position, but is an economy of a subordinate nature. In socialist society, it is subordinate to the socialist economy. Its existence and development are related to the socialist economy and it obtains the assistance and support of the state in such respects as planned channels, operation funds, sources of goods and of the means of subsistence, raw materials and accessory materials, supply of parts and business locations, before it can carry out normal management activities and obtain definite profit from that. Without the support and assistance of the state, it will have difficulty overcoming the difficulties and problems in its management activities and will have difficulty surviving. Thus, state leadership and control become the first and foremost factors for the existence and development of the individual economy in the cities and towns.

Second, the contradiction between individual labor and social labor inevitably exists in the individual economy in the cities and towns. On the one hand, all the management activities are labor for the society and form a part of the total labor of society. On the other hand, the management activities are carried out in a dispersed and independent manner. Therefore, [individual laborers] do not comprehend very well society's needs and the extent of these needs, and blindness exists in management. If we do not carry out the necessary planning and guidance over the individual laborers and let them grope blindly under the effect of the law of value, a situation in which the failure of supply to meet demand will take place. As a result, their individual labor will not be acknowledged by society, will not be able to be converted into social labor, and waste in social labor will be brought about. This will be unfavorable to both the state and the individual laborers. Thus, toward the development and management of the individual economy in the cities and towns, that is, the trades to be developed, the extent of the development, the commodities to be produced, the business projects to be promoted and the kinds of services to be run, the state should and must give the necessary guidance or carry out the necessary readjustments through leadership and control.

Third, the individual economy in the cities and towns itself has a dual character. [Those who engage in the individual economy] are individual laborers and at the same time have private ownership. As laborers, they can very easily be guided onto developing along the socialist road and can bring into play their important supplementary role in the economy of the system of public ownership in such respects as developing production, enlivening the market and expanding employment. As private owners, they inevitably have a certain degree of spontaneity. A small number of individual households may in management indulge in fraudulent and opportunist activities, and may engage in illegal activities. This therefore requires the state, by means of leadership and control, to strengthen education, supervision and inspection, and to urge them on to persisting in the socialist direction in management and serve production and the people's livelihood in a better manner.

Furthermore, generally speaking, the faster the development of the individual economy in the cities and towns, the greater the quantity, the more complex the trades, the broader the scope of activities and the more flexible the modes of business, the greater need for state guidance, assistance and supervision. Thus, when it is developing actively, we must strengthen leadership and control at the same time. Only in so doing can we prevent or solve all kinds of shortcomings and problems that may appear in the course of the rapid development of the individual economy in the cities and towns, and attain the purpose of enlivening the economy and developing healthily at the same time.

II. How Can Leadership and Control Be Strengthened

In this respect, we must solve the following problems at present:

First, each attends to his own duties and strengthens control. In controlling the individual economy in the cities and towns, there is administrative control and there is business control. Thus, the concerned departments must attend to their own duties under the unified leadership of the government at various levels, maintain close coordination and strengthen management. The primary task of the industrial and commercial departments is to strengthen administrative control over the individual laborers, safeguard their legal operations and check their illegal acts, so as to mobilize their enthusiasm in serving the market. The regular ideological education can be put under the unified management of the neighborhood offices of the various localities. The state-run commercial departments shoulder the responsibility to guide and assist in such respects as principles, policies and sources of goods. The other departments in charge of pricing, taxation, public security, appearance of the city, communications and health and sanitation should also strengthen management within the scope of their responsibility.

Second, perfect and uphold the related institutions in administrative control. Control is regular work. To make control effective, we must make it regular and institutionalized. From the administrative control point of view, after registration and the issuance of license, we must adopt the following measures toward the individual households: Convene meetings at regular intervals to propagate the party's policies to the individual households and carry out education on abiding by the regulations and the law; and carry out regular inspections on the individual operations and correct problems without delay once they are discovered.

Third, adopt appropriate means of control. The means of control can be divided into three types: economic measures, administrative measures and educational measures. The most important and most effective ones are the economic measures. The administrative measures are necessary and effective. The educational measures exert subtle influences and embrace far-reaching significance.

In order to solve the existing problems in the individual economy at present, we must utilize these measures together and make them complement one another and bring their roles into play.

- (1) Adopt economic measures in order to regulate the individual management activities. For instance, in order to support the development of the catering, service and repair trades and mobile households, we can offer preferential terms in such areas as sources of goods and of the means of livelihood, pricing, loans and taxation, thereby attracting more people to carry out management in these areas, and attaining the purpose of regularization.
- (2) Adopt the methods of administrative intervention to strengthen supervision and inspection.
- (3) Adopt the measures of ideological education to carry out socialist education on the individual laborers. Only through carrying out ideological

and political work in a planned and purposeful manner and enabling the individual laborers to understand the socialist direction of management and the duties and legitimate rights and interests of the individual laborers can we enable them to consciously abide by the policies and decrees of the party and the state, and unfold normal production and management activities. Thus, we can establish a harmonious relationship between them and the consumers and the state, and attain the goal of a healthy development.

9335

CSO: 4006/746

DOMESTIC TRADE

PROBLEM OF FAKE TRADEMARKS DISCUSSED

Beijing JINGJI RIBAO in Chinese 30 Aug 83 pp 1-2

[Interview with the person in charge of the Trademark Bureau of the State Administration of Industry and Commerce by a JINGJI RIBAO reporter; date and place not specified]

[Text] This paper has recently carried a number of letters and contributed articles reporting on the problem of fake trademarks and eliciting interest in every respect. How should we adopt a correct attitude toward this problem? To answer this question, our reporter interviewed the person in charge of the Trademark Bureau of the State Administration of Industry and Commerce and asked him to reply to some pertinent questions.

[Question] Please discuss the present situation with regard to fake trademarks.

[Answer] In recent years, we've had many cases of illegal trademarks. The problem has been more glaring particularly since the beginning of this year. The number of cases, the quantities of goods with false trademarks and the widespread reselling of such goods at a profit have never been greater. Especially prominent among the goods are watches, bicycles and cigarettes. According to preliminary statistics, about 2 million fake "Shanghai," "Spring Bud," "Diamond," and "Seagull" watches have entered the market since 1981. The problem of bicycles with fake trademarks is very serious in Xingtai, Cangzhou, Zhangjiakou, Handan and Langfang prefectures in Hebei and has been discovered in other areas too. Just the number of bicycles with fake trademarks recently seized by the Hebei Provincial Administration of Industry and Commerce exceeds 17,900. This type of bicycle has already been resold for profit in 24 provinces, municipalities and autonomous regions. Handmade cigarettes with fake trademarks have been found in areas all over the country, especially in some counties along the Henan-Anhui border. These handmade cigarettes have over 100 fake registered trademarks--"Big Front Door" of Shanghai, "Lasting Big" of Tianjin, and "Mango" of Henan among others--used by 29 state-run cigarette factories in 12 provinces and municipalities. By car, train and mail, they are resold for profit everywhere in China.

[Question] What kind of problem are the fake trademarks?

[Answer] Faking a trademark is an illegal act. Article 40 of the "State Trademark Law of the People's Republic of China" clearly stipulates that "the faking of another's registered trademark, including the unauthorized manufacture or sale of another's registered trademark symbol, is a crime for which such person(s) as found directly responsible by the judiciary will compensate the person(s) infringed upon and may also be fined." Whether it is at the expense of state-run enterprises, collective enterprises or other personnel, faking a trademark constitutes a serious crime for which the person(s) directly responsible will be punished according to the law.

[Question] Does unauthorized manufacture or sale of another's registered trademark also fall under the category of faking a trademark?

[Answer] Yes. This is also stipulated in Article 40 of the "Trademark Law." Because a registered trademark's exclusive use in an enterprise's industrial property right, it is protected by law. Unauthorized manufacture or sale of another's registered trademark not only infringes upon the right of exclusive use but also violates socialist economic order. According to statistics from the Henan Provincial Administration of Industry and Commerce for the period from September 1982 to June 1983, 138 million registered cigarette trademark symbols were manufactured without authorization. Thus we cannot underestimate the crime of unauthorized manufacture or sale of another's registered trademark symbol. Punishment of such crime according to the law has positive significance for the prevention of the manufacture and sale of goods with fake trademarks.

[Question] Why do fake trademark cases occur and what harm do they do?

[Answer] There are many reasons why these cases occur. One is that there is still not enough publicity on trademark laws. Some enterprises still don't know the function of registered trademarks and so manage their own trademarks poorly. For example, in the past they required that discarded labeled cigarette cases be cut up into strips and sold to salvage stations, but now some plants disregard this. In Henan, some persons bought a ton of "China" and "Peony" cigarette trademark symbols from a Shanghai salvage station and put them on the black market. Some rural commune team enterprises and farm households don't understand that dealing in goods with fake trademarks is the crime of faking trademarks, and even some government organs, enterprises and public agencies don't understand trademark laws and regulations. Another reason is that insufficient speed in stopping infringement of trademark rights and insufficient vigor in cracking down on faking trademarks abet the spread of this illegal, criminal behavior. For example, we haven't taken resolute measures to deal with the smuggling of watches with fake trademarks, so that some are still sold in state-run stores. A third reason is that production departments themselves make it convenient to fake trademarks. For example, some watch factories and bicycle factories handle remnant waste products in batches and sell them by the jin. A fourth reason is that the departments concerned with this illegal behavior not only do not increase their curbs on it but actually make it convenient, even to the point of collusion and other unhealthy tendencies.

Fake trademarks do great harm. They destroy the supervision of trademarks, infringe upon the right of exclusive use of registered trademarks, attack and ruin the reputation of famous brands, and directly violate the normal order of socialist commodity production and commodity circulation.

They pound away at our markets and damage state planning. They harm the interests of the consumer and cheat the masses.

[Question] How should cases of fake trademarks be handled?

[Answer] The conditions I've described demand that we take decisive measures to put a firm stop to the present rampant unhealthy trend of fake trademarks and to maintain proper socialist economic order. We have to solve the following problems:

First, we must improve people's understanding and handle a group of fake trademark cases quickly and strictly, especially those involving watches, bicycles and cigarettes. We must protect the right of exclusive use of registered trademarks and stop and crack down on faking.

Second, strict enforcement of the "Trademark Law" is necessary. From now on, absolutely no unit or individual will be allowed to produce, sell, or resell for a profit any commodity with a fake trademark, including spare parts for such a commodity. Violators will be dealt with according to the law. If any goods with fake trademarks that are confiscated have no practical value or harm the consumer's safety or health, they will all be destroyed by melting or burning. If they still have some practical value, they must be technologically processed by appointed units to eliminate the fake trademarks. Then they will be resold.

Third, we must strengthen control of trademark printing, strictly enforce the pertinent stipulations and ban free buying and selling of trademark symbols. Industrial and commercial departments everywhere will direct a group of units that will print trademark symbols. The latter must not print the symbols without an order. Those doing illegal printing should be severely punished and resolutely proscribed.

Fourth, all departments have to cooperate actively with each other to bring the situation under full control. Administrations of industry and commerce and judiciary departments must work closely together in investigating and handling cases according to the law. Commercial, industrial, financial and taxation, communications, and postal and telecommunications departments must actively cooperate to plug the loopholes.

12465

CSO: 4006/811

DOMESTIC TRADE

RAMPANT PRICE HIKES IN MEANS OF PRODUCTION MUST BE CHECKED

Beijing GUANGMING RIBAO in Chinese 11 Sep 83 p 3

[Article by Kong Min [1313 2404]: "Continued Effort Must Be Made to Stop Rampant Price Increases in Means of Production"]

[Text] Certain results have been achieved since the issuance by the State Council and the Disciplinary Commission of the party Central Committee of the "Urgent Notification Concerning the Need to Put an End in a Resolute Manner to Rampant Price Increases in the means of Production and Reckless Allocation of Funds to Construction Units." It is a matter of necessity to formulate relevant laws and regulations to put an end to rampant price increases and to strengthen supervision and inspection. However, it is first necessary to put an end to random capital construction and to reform the price structure.

One major cause for rampant price increases in the means of production may be attributed to the fact that projects of capital construction have gone out of control. Why have price increases been the sharpest and the effects most devastating in steel, pig iron, cement, lumber and coal and raw materials and fuel which are closely associated with projects of capital construction? That obviously is the direct result of the plan to make a sharp breakthrough in projects of capital construction since the latter part of 1982. The excessive scale of capital construction inevitably results in an imbalance in supply and demand. When supply falls far short of demand, it would be difficult to stabilize the prices of the means of production. Some raw materials which are in acute shortage have virtually become "hard currency" whose value has increased a hundredfold. When the scale of capital construction is enlarged, a certain amount of funds is bound to be converted into purchasing power for certain consumer products in the market. The increase in the price of consumer products is bound to trigger the inflation of consumer funds, which in turn would increase the cost of the means of production and expenses, thus contributing indirectly to price increases in the means of production. The first problem that we have to deal with, therefore, is how to put an end to random projects or construction. It is only by the simultaneous adoption of administrative measures, economic levers and even the relevant laws that we can hope to achieve twice the result with half the effort.

The rampant increase in the prices of the means of production also serves notice from the negative side that we must do a good job in reforming the existing unreasonable price structure. One major defect in the existing price structure is the glaringly low prices for many primary products, especially certain mineral products, certain basic raw materials and fuel. For this reason, we must bring about readjustments and reforms step by step and according to a plan. It goes without saying that the reform of the price structure requires certain conditions. It is particularly important to consider the extent of capability of the state and the masses. Hasty action must be avoided in seeking to bring about the basic stability of commodity prices in the market. However, that does not mean that we should shrink back in the face of difficulties. It should be understood that, after the prices of certain means of production have been reasonably readjusted, certain increases, under normal circumstances, are offset by an increase of economic effectiveness achieved by the units using such means of production. It does not necessarily follow that "when the river rises, the boat goes up." At the same time, a considerable amount of the national treasury is used every year for the payment of price subsidies, so that there is a certain leeway for maneuvers for reforming the price structure without triggering sharp fluctuations in commodity prices. For this reason, we must not beat a retreat in our effort to stem rampant price increases. The basic solution is to stand firm in our effort to introduce reforms.

9621

CSO: 4006/18

DOMESTIC TRADE

INDISCRIMINATE COLLECTION OF CONSTRUCTION FEES REPORTED

Shanghai JIEFANG RIBAO In Chinese 19 Jul 83 p 1

[Report by Chen Libo [7115 4539 3134]: "Abolish 24 Items of Indiscriminate Collection of Fees"]

[Text] Since the transmission of the "urgent notice" dispatched by the State Council and the Central Discipline Inspection Commission on prohibiting the acts of indiscriminately raising the prices of the means of production and indiscriminately collecting fees from construction units, the capital construction front in this municipality has conscientiously organized the implementation of the notice. At present, it has preliminarily checked the evil tendency of "indiscriminately collecting fees from construction units."

The leading cadres at various levels on the capital construction front of this municipality have conscientiously studied the "urgent notice" and profoundly realized that this is a major policy decision of the party Central Committee, is a principle that is related to the implementation of centralized financial and material resources and ensuring the key construction projects, and is a major event in straightening out the party style and the mood of society. In accordance with the demand of the municipal people's government and the document of the municipal discipline inspection committee (preparatory group), the various departments have, in light of the reality of their systems and departments, profoundly exposed the harm that this evil tendency of indiscriminately collecting fees has caused in economic construction. In order to strengthen the leadership in the work of self-examination and checkup, the various departments and various units have successively set up "investigation groups" or leading groups with the participation of the major leading personnel. Then, under the leadership of the municipal investigation group in the illegal collection of fees, they have assigned special personnel to handle the work of self-examination and checkup well.

As of 7 July, this municipality has launched self-examination activities. It not only has sorted out the acts of indiscriminately collecting fees, but has also sorted out the problems in business styles, such as "living off the large capital construction units," fleecing the state and demanding hospitality from the construction units. Checkup has been carried out separately and undertaken all at once in the various aspects of capital construction, such as construction, design and building. The Shanghai Branch of the Construction

Bank and the Shanghai Civil Engineering Design Institute and other units have also adopted effective measures of improving problems that have been discovered, stopped up the loopholes without delay and checked the evil tendency of indiscriminate collection of fees. The units under the municipal construction engineering bureau have launched an all-round checkup on the accounts settled with the 1,010 projects that were completed on 1 January this year. They have preliminarily discovered 13 cases of indiscriminate collection of fees, with a total of over 1 million yuan. On the basis of self-examination, they have immediately stipulated measures of rectification and reform.

After its establishment, the municipal investigation group in the illegal collection of fees has successively convened conferences on many occasions and, up till the present, has researched item by item and sorted out 40 cases of collection of fees which were stipulated by the various municipal party committees and offices and the various district and county bureaus themselves and which were imposed indiscriminately by the enterprises. In light of the checkup situation, the municipal planning committee, construction committee and the construction bank have dispatched concerned notices that stipulated the abolition of 24 items of fees, which included the various additional fees on top of the original prices of the imported materials, the various fees of loss due to a halt in construction and the fees for special measures that were collected under the pretext of rush construction of the key projects, the product protection fees which were collected under the pretext of protecting structural parts and equipment during construction, and the fees collected for design and overtime and the awards for the fulfillment of designs ahead of schedule. In addition, they have stipulated the temporary withholding from fee collection of 10 items, which include fees for constructing commercial service network outlets, afforestation, rush construction and developing local construction materials.

In order to further implement the spirit of the "urgent notice" and thoroughly check the evil tendency of indiscriminately collecting fees, the municipal group investigating the illegal collection of fees has made arrangements for their work in the next stage. It has asked that the various departments and various units further deepen self-examination and checkup, actively stipulate measures and conscientiously correct the evil tendency of indiscriminately collecting fees. In those units where the work of self-examination in the previous stage was relatively weak, special assistance will be given. The various units were asked to strictly guarantee and resolutely implement the notice that stipulated abolition and temporary withholding collection of 24 types of fees. This investigation group also made preparations to transfer 60 cadres from the planning committee, the construction committee and the construction bank to form an inspection group, which would on the selected units in late July to inspect the condition of self-examination in the various units, intensify inspection from the higher to the lower level with self-examination from the lower to the higher level, and ensure the smoothness of the work of checking up on the indiscriminate collection of fees from bottom to top.

9441

(Cen: 460444)

DOMESTIC TRADE

SHANGHAI ECONOMIC ZONE ACTIVELY PLANNED

Shanghai WEN HUI BAO in Chinese 17 Aug 83 p 1

[Article by Reporter Yao Shihuang [1202 6108 3552]: "A Start Has Been Made in Planning for the Setting up of the Shanghai Economic Zone"]

[Text] Since its establishment over 6 months ago, the Shanghai Economic Zone Planning Office has begun to make investigations in the various regions, to break down the barriers between the regions and the central and local authorities and to explore ways and means to integrate the economies of the various regions in preparation for the setting up of the first comprehensive economic zone that cuts across provinces and cities. The office will convene a planning conference in the near future.

Investigation Has Begun in Various Regions

The plan for setting up a unified economic zone in the Changjiang delta, a vast heavily populated and economically developed region, represents the first of its kind in our nation. Since its establishment, the Economic Zone Planning Office, with the support and participation of the State Council and the ministries and head companies concerned, has completed extensive investigations into the organizations within the economic zone and such trades and businesses as the chemical industry, the machine industry, the steel industry, the light industries, the electronics industry as well as into foreign trade, communication, energy resources and water supply. The most glaring anachronism is the lack of a unified economic plan for the region and a system characterized by the breaking up of the regions and the division of jurisdiction between the central and local authorities resulting in the lowering of economic effectiveness through the decentralization of manpower and material and financial resources. Taking the light industries as an example, the 10 cities within the economic zone have made great strides in recent years. Nine of the cities have bicycle factories, 8 have sewing machine factories, 5 have wrist-watch factories, 7 have washing machine factories and all 10 have electric fan factories. That being the case, such anachronistic phenomena as duplication in construction, poor distribution of factories and demands for the setting up of "large and comprehensive" and "small but all-inclusive" enterprises would be unavoidable. A similar situation exists in other trades and businesses as well. In view of the limitations presented by the demarcation of

administrative areas, it is particularly important to devise a plan on a unified basis for construction projects relating to energy resources, communication and water supply which are vital to the development of the economic zone. With the establishment of the Economic Zone Planning Office, it is now possible to cut across the regional boundaries and to make plans for various projects of construction for the good of the entire region. Taking the harnessing of the Taihu drainage area and the Huangpu and Changjiang basins as an example, the Economic Zone Planning Office is in the process of organizing further studies to be undertaken by research and planning departments as well as experts and scholars prior to the formation of an overall program.

Diversified Forms of Economic Coordination

Shanghai has long had close economic ties with cities in Jiangsu and Zhejiang provinces. Recent years have seen the further development of the various forms of concerted "people-to-people" economic operations. Since the establishment of the Economic Zone Planning Office, a start has been made to explore the following ways and means for taking joint action:

Joint production and operations. Taking the bicycle industry as an example, there are now in the economic zone 11 bicycle assembly factories and more than 100 spare parts factories. Following special studies and exhaustive deliberations, a joint program has been devised for "using bicycle manufacturing to give an impetus to bicycle repair, the coexistence of diversified forms and varieties" and "voluntary participation." In addition, a joint production and operations program is being formulated for the Shanghai Sifang Boiler Factory, and 14 boiler factories in the economic zone, the Shanghai Machine Tool Factory, the Hangzhou Machine Tool Factory and the Wuxi Machine Tool Factory.

Lateral coordination among the multiple economic departments. With the support of the Economic Zone Planning Office, the chiefs of the statistical and foreign trade bureaus of two provinces, one municipality and nine cities have adopted the form of holding "joint conferences" for the setting up of a coordination network. The 10 cities are to officially engage in an exchange of statistical data, to jointly compile economic and social development statistical yearbooks, to initiate statistical studies on special subjects and to make analyses of composite statistics. The joint conference of the chiefs of the foreign-trade bureaus is to resolve the conflicts in foreign trade and to find ways and means to implement the unified trade and to find ways and means to implement the unified policy on external operations. This lateral coordination among such unified economic departments is likely to be further expanded.

Coordination among the financial departments. Recently, the Jiangsu, Zhejiang and Shanghai branches of the Construction Bank, under the direction of the head office, have initiated a joint program in the Shanghai Economic Zone for investigating the feasibility of certain major construction projects and their economic benefits, the initiation of joint investment and trust operations and the exchange of information on investment opportunities and the findings of investigations. The Shanghai branches of the

People's Bank, the Bank of China, the Farmer's Bank and the Construction Bank have already set up banking and economic information centers in Shanghai and plans have been made to set up such centers in the Shanghai Economic Zone.

A new and urgent need has arisen calling for the joint efforts of those engaged in the formulation of theories and those actually engaged in the work to find a way to organize various economic activities centered in the cities for the joint development of the economy. The Shanghai Economic Research Center, the Shanghai Institute of Social Sciences, the East China Normal College, the Shanghai Scientiology Research Institute, the Shanghai Financial Institute, the Jiangsu Provincial Institute of Social Sciences, Nanjiang University, the Nanjing branch of the Chinese Academy of Sciences and the Zhejiang Economic Research Institute of the Planning Commission have all organized research activities. The Economic Zone Planning Office, which greatly values the views of experts in different fields, is in the process of organizing and coordinating the various research departments with a view to jointly exploring ways and means to bring about major reforms.

9621

CSO: 4006/18

DOMESTIC TRADE

POLICY PROBLEMS IN IMPLEMENTATION OF URGENT NOTICE

Yinchuan NINGXIA RIBAO in Chinese 15 Jul 83 p 1

[Report: "Responsible Person of the Regional Price Bureau Discussed Several Policy Problems in the Implementation of the 'Urgent Notice'"]

[Text] On 14 July, the responsible person of the regional price bureau discussed the several policy problems in the implementation of the "urgent notice" issued by the State Council and the Central Discipline Inspection Commission. The speech was as follows:

Regarding the scope of variety in the checkup of prices. The focus of this checkup lies in the means of production with prices fixed by the state, such as steel products, pig iron, cement, timber and coal, that are produced by the enterprises under the system of ownership by all the people. All the units that produce, sell and use these materials should take the initiative to carry out inspection and checkup and report to the higher level accordingly.

In order to carry out collective investment and save energy, the State Council has adopted policies of imposing high prices or increasing the prices of petroleum and coal. These policies should continue to be implemented. We must examine and correct any instances of going beyond the stipulated scope of supply or raising prices on one's own. We should abide by and implement the measures of price reform which the State Council has taken toward importing chemical fertilizers and farm chemicals. We will not check up on the prices of the commune-run small coal pits, but will examine the fees that are collected outside the prices.

Regarding the checkup and correction of the problems of prices that violate the discipline and incorrect prices, we must examine and correct instances of going beyond the limits of price control, of raising prices on one's own, of inflating prices in a modified way and of imposing additional fees. We must immediately correct and abolish all prices that are fixed by the departments in charge and price departments beyond their jurisdiction as well as all methods of raising prices and adding fees that are not in accordance with the regulations in the "urgent notice."

Whether they are produced within the plans or outside the plans, or whether they overfulfill the plans, the means of production that have prices fixed by the state, such as steel, pig iron, timber and coal that are produced by

the enterprises under the system of ownership by all the people must strictly implement the producer prices fixed by the state. We must examine and correct all the acts of raising prices under the pretext that the fuel and raw material prices are raised, of "purchasing and selling at high prices" under the pretext that raw materials outside the plans are purchased at high prices, or using materials in shortage as an excuse to impose additional terms on consumers, obtain labor service charges, management charges and procedural charges as well as lower quality and reduce quantity and arbitrarily increase packing fees, and so forth.

The supply and marketing enterprises of the materials system and the nonmaterials system must strictly abide by the concerned regulations in setting supply prices. We should examine and correct all instances of going beyond the stipulated supply prices, such as increasing the circulatory links, raising the fee criteria, imposing redundant transport and miscellaneous fees, calculating prices on the basis of high purchase prices, "bought dear and sold dearer" the cooperative materials, sold "off the truck" without putting a supply in storage, selling what one has brought at a profit, speculating, selling quota goods, and asking for rewards.

We must sort out the enterprise units which have violated discipline and set incorrect prices and, calculating from 1 January this year, make them pay to the higher level all the extra money and fees which they have collected. We can handle according to different situations the concerned departments which have stipulated price and fee additions incorrectly. In some cases, the departments must turn over all the extra money they have collected. In other cases, only corrections are necessary.

9335

CS0: 4006/743

DOMESTIC TRADE

CONFERENCE ON CONTROL OF VILLAGE FAIR TRADE REPORTED

Guangzhou NANFANG RIBAO in Chinese 31 Jul 83 pp 1, 3

[Article by Staff Reporters Wu Ling [0702 3781] and Shen Congxiang [3088 1562 4161]: "Bring About a Prosperous Fair Trade and Oppose Disruption of the Market"]

[Text] In market management, we must, under the prerequisite of bringing about a prosperous urban and rural fair trade in accordance with our policy, deal blows to the illegal pedlars who disrupt the order on the market and who engage in deceptive acts and dominate the market; resolutely prohibit illegal business activities such as giving short measures and adulteration; ban unlicensed pedlars; and strengthen the management over the personnel who are engaged in transporting goods for sale, licensed pedlars, and the wholesale market in agricultural and sideline products and daily industrial products, so that we can enliven the urban and rural markets and manage them strictly, and enable them to support production, promote circulation and serve the masses in a better manner. These were the demands made by the responsible person of the Provincial Industrial and Commercial Administrative Bureau on the industrial and commercial administrative departments throughout the province at the provincial experience-exchange meeting on the building and management of urban and rural fair trade markets convened in Huizhou City recently.

The responsible person of the Provincial Industrial and Commercial Administrative Bureau said: Since the beginning of this year, with the further implementation of the various economic policies, our province's urban and rural commodity economy has developed considerably and the urban and rural fair trades have prospered. Incomplete statistics have shown that the amount of transactions concluded in our province's urban and rural fair trades in the first half of this year reached 2.05 billion yuan, an increase of 16.5 percent over that of the same period last year. The future task for the industrial and commercial administrative departments will still be to resolutely implement the party's principle and policy of enlivening the economy, vigorously supporting and actively protecting legal businesses and bringing about greater prosperity to our province's urban and rural fair trades. At the same time, in light of some problems that have appeared on the market, we must act in accordance with the policy and strengthen management, and make sure that we are flexible without being disorderly

and are in control without being illegal. At present, in order to strengthen management, we must emphasize the following aspects of work:

--Deal blows to the illegal pedlars who disrupt the order on the market and who engage in deceptive acts and dominate the market. At present, in some localities, there often are illegal pedlars who gang up to hold up the peasants and purchase the agricultural and sideline products which the peasants are bringing in to town to sell. These pedlars monopolize the commodities, control the market and force up commodity prices in sales. These acts of deception and market domination not only harm the interests of the producers but the interests of the consumers. We must adopt effective measures and resolutely deal blows to these acts in light of the concrete situation in the market management in the localities.

--Strictly prohibit illegal acts of giving short measures, adulteration and passing inferior grade items for quality items that harm the interests of the masses, and perfect the system of market management. The industrial and commercial administrative departments must take the initiative to coordinate such departments as public security, health and sanitation, measurement and taxation, organize mobile professional teams in market management to conduct inspections on market order, weighing apparatuses, prices of goods and foodstuff sanitation, and carry out education or impose penalty on those people who violate the law, as well as turn over the serious cases to be handled by the judicial department.

--Ban the unlicensed pedlars who profit by buying vouchers, commodities and contraband goods cheap and selling them dear. At present, some commodities handled by the unlicensed pedlars are of questionable origin. Some of them are illegally purchased from the factories and shops. Others are exchanged with vouchers. Still others are purchased from smugglers. These pedlars flee everywhere and set up stalls everywhere, and buy cheap and sell dear on the same commodity, disrupting the order in the market. We must resolutely ban the unlicensed activities of these unlicensed pedlars. In the meantime, we must strictly draw a line of demarcation between them and the peasants who go to town to sell the agricultural products and sideline products from their household industry which they produce themselves and who transport them to the city legally. We must support and make things convenient for those who do business according to the policies and regulations. We must make appropriate arrangements individually for these unemployed workers who are doing business before they apply for a license.

--We must strengthen the management over the personnel who are transporting goods for sale. Transporting agricultural and sideline products to the market for sale by means of commodity exchange, it is entirely different from the acts of deception and market domination and of driving up the price. We must strictly ban the law. And we must adopt different measures in different cases. We must be clear that the personnel who are transporting goods for sale are in light of their different situations. We must support and make things convenient for those personnel who are temporarily engaged in transporting goods for sale. We must issue permits for those personnel who are engaged in transporting goods for sale. We must transfer the profits for sale.

must issue business licenses to those personnel who are engaged in transporting products for sale throughout the year. We must strive for efficiency in issuing these certificates and licenses, must not delay our work and must not deliberately make things difficult for the personnel who are transporting goods for sale. The industrial and commercial administrative departments must inspect and supervise the work of the personnel who are transporting goods for sale to see if they are acting within their business scope and at the same time to see if they are strictly implementing the price policy stipulated by the state and are paying taxes and management fees as stipulated. All illegal activities will be handled according to the seriousness of each case.

--Strengthen the management over licensed pedlars. We must strengthen management over those licensed pedlars who have obtained their business licenses, examine the orientation of their business, and make sure that they are handling their commodities within the scope of business, that the commodity prices are not in violation against the policy, and that they are not deceiving the masses by selling commodities of inferior grade as fine quality commodities. The licensed pedlars must show their licenses when they do business. We must strictly prohibit lending out business licenses, and violators will be penalized.

--Strengthen the management over the wholesale markets for agricultural and sideline products and industrial products for daily use. We must run properly the wholesale markets for agricultural and sideline products and industrial products for daily use, open up the circulation channels for commodities and provide the conditions for concluding transactions between the purchaser and the seller. We can make use of the form of contracts to integrate those who transport goods to other places for sale with the local purchasers and sellers, and include them all in the economic orbit under the state's unified management. In so doing, we can effectively plug up the paths of those who indulge in acts of deception and market domination and who rush to forcibly purchase all available commodities and drive up the prices when they resell them, which will help to stabilize order on the market.

9435

C50: 4706/146

FOREIGN TRADE

NEW COMPANY AIDS TIANJIN'S INDUSTRIES

Tianjin: TIANJIN RIBAO in Chinese 8 Jul 83 p 1

[Article by Hao Zhaoguang [6787 3564 0342]: "Promote Technical Progress, Develop Bilateral Trade: The Tianjin Joint Trade Co. Ltd. Provides Technical Service to the City with Enthusiasm"]

[Text] In Hong Kong, Tianjin opened the Tianjin Joint Trade Co. Ltd. and with enthusiasm provided technical service to this city's scientific research production units. It has done a great deal of work in promoting an escalating exchange of Tianjin's new products. It has received praise from the relevant units. Li Jianzhi [2621 0256 0037], the chairman of the board and president of the company, recently talked in Tianjin, and in the future he will further develop the company's business in technical service and scientific and technical consultations. A few days ago they set up a technical exchange meeting for a special kind of high polymer covering material jointly sponsored by the English (Tangnade Maixun) Group Hong Kong Suidong Trade Co. Ltd. and Tianjin's Foreign Scientific and Technical Exchange Center, and it was welcomed by the users. Tianjin is holding joint talks with foreign businessmen for the cooperative building of factories and other new projects.

The Tianjin Joint Trade Co. Ltd. has developed many different types of technical service. They maintain a combined policy of both carrying out trade and performing technical service. They lay stress on providing scientific research production units with current scientific and technical [S & T] information, and they produce notable results. Within a short period of time this company imported scientific instruments and fittings for scientific research units that urgently needed them for business. This company does not think it to be troublesome work despite the usually odd amount and diverse quality of the merchandise and the small amount of money earned from the transactions. They are eager to help hard-pressed scientific production, they strive to improve efficiency, and they work enthusiastically for users. Regarding the more than 10 contracts that they have implemented, each scientific research unit is extremely satisfied.

The Tianjin Joint Trade Co. Ltd. has many times in Tianjin jointly organized product exhibitions and technical exchange meetings with foreign businessmen, and they have provided users with the opportunity to collect recent S & T

Deliberation. This had a definite effect on spurring the development of Tianjin's new technology and new products. For example, they organized a scientific instrument and technical exchange meeting in Tianjin jointly sponsored by the Tianjin Scientific Equipment Co and the Hong Kong Southeast Instrument Co. At the meeting, they carried forth technical exchanges of the most advanced optical instruments, laboratory equipment and medical instruments of American, West German and French companies. They performed on-site demonstration with some of the instruments, they held three specialized technical lectures, and the visitors all felt that the results were fruitful. In Tianjin they organized technical exchange conferences for the modern ultraviolet spectrometer, for modern photographic technology and electron beam lamps, and for paint and plastics, and they all received excellent results.

In order to promote Tianjin's export technology, they utilize the many different conditions in Hong Kong, and they use the name of the Tianjin Joint Trade Co., Ltd. to apply for and register patents in the relevant nations. Currently they have already enthusiastically inquired after channels for the technical transfer for two of Tianjin's technical inventions. The Tianjin Joint Trade Co., Ltd. has done a good deal of work in such aspects as introducing capital, samples and recommending specialized lectures for Tianjin's industrial departments.

FOREIGN TRADE

NEW DEVELOPMENT OF CHINA-EAST EUROPE TRADE

Beijing JINGJI RIBAO In Chinese 26 Aug 83 p 4

[Article by Yi Shi [4135 0013]: "The New Development of China's Trade with Five East European Countries"]

[Text] This year China's government signed barter and payments agreements with the governments of Hungary, Poland, the GDR, Czechoslovakia and Bulgaria. These show clearly that total imports and exports between China and these five East European countries, now valued at about 6 billion Swiss francs, and the volume of trade have increased over that of last year at different rates.

China's trade with the five countries uses Swiss francs for quoting prices and settling accounts. It is reported that most of China's exports, about 64 percent, are textiles, light industrial goods, and foodstuffs. Raw material products make up about 35 percent, and machines make up about 1 percent. The main commodities are as follows: husked rice, edible vegetable oil, canned fruit, canned vegetables, cotton cloth, silks and satins, clothing, knit underwear, facecloths, handkerchiefs, leaf tea, leaf tobacco, honey, walnuts, rosin, hog bristles, sausage casing, spicy oils, cultural and educational articles, sporting goods, gym shoes, porcelain, handicraft articles, tungsten ore and industrial chemical products. Raw material products make up about 63 percent of China's imports, electrical instruments about 27 percent and consumer goods about 10 percent. The main commodities are as follows: steel products, nonferrous metals, chemical fertilizer, industrial chemical raw materials, machine tools, trucks, farm machinery, coal mining equipment, printing machinery, plastic processing machinery, textile machinery, scientific instruments, medical apparatus and instruments, and refined sugar.

Besides the annual trade agreements mentioned above, China also engages in supplementary trade with some countries on the basis of mutual needs and possibilities. For example, China and Poland have reached a supplementary barter agreement in the case of certain commodities, with total imports and exports valued at about 100 million Swiss francs.

In the trade negotiations with the five nations, both sides indicated a willingness to further promote and expand bilateral trade relations on a foundation of equality and mutual benefit. The European sides also indicated in particular their willingness to supply China with entire power stations, coal-washing plants, cement plants, gasworks, and entire sets of equipment for light, textile and food industries. They are also willing to take part in the technological transformation of old plants and to develop bilateral cooperation in production.

LABOR AND WAGES

SELF-EMPLOYMENT GROWS IN LIAONING, GUANGXI

OW052018 Beijing XINHUA in English 1030 GMT 5 Nov 83

[Text] Beijing, November 5 (XINHUA)--Taking a look at a northeast China industrial province and a south China autonomous region primarily agricultural shows a corresponding growth in the number of self-employed workers.

The cities and towns of Liaoning Province in the northeast now have 180,000 self-employed households with 220,000 people, according to an official of the provincial administration for industry and commerce. There were almost no individual laborers there four years ago, he said.

"Turnover of the households reached 428 million yuan in the first half of 1983, equivalent to five percent of the province's retail sales," he said.

In the Guangxi Zhuang Autonomous Region in the south, there are 103,000 self-employed laborers, 11 times the 1979 figure, according to the regional department of labor.

Self-employment, banned in the late 1950's, was restored in 1979 when China adopted the policy of opening to the rest of the world while revitalizing the domestic economy. The self-employed are now regarded as a necessary supplement to the socialist economy because it meets the need of consumers and provides new job opportunities.

The Chinese Government now holds that the expansion of a diversified economy is necessary for building Chinese-style socialism.

China had 1.3 million individual laborers by the end of 1982, accounting for 1.3 percent of the country's urban work force, according to earlier reports.

Self-employed people are engaged mainly in service trades, including catering, retailing, tailoring, repairs and handicrafts.

There are now 227 self-employed workers' associations throughout Guangxi. The associations organize studies of government policies, laws and regulations, and help members to share business experiences and report to government departments on production and operation problems.

0201 4020/078

TRANSPORTATION

BRIEFS

RAILWAY EXPANSION FOR SHANXI--Beijing 5 Nov (XINHUA)--China has decided to build or renovate 13 railways in the Shanxi energy base, the country's largest. This will quadruple the 1982 coal shipment from the base to 360 million tons a year. Electrification and double-track conversion has begun on seven out of the nine old railways to be renovated. Three trunk lines and one branch line to be built include a 630-kilometer electrified line from Datong City in Shanxi to the port city of Qinhuangdao in Hebei Province for heavy trains. [Text] [OW051840 Beijing XINHUA in English 1830 GMT 5 Nov 83]

CSO: 4020/028

GENERAL

ECONOMIC, FINANCIAL THEORETICAL PROBLEMS DISCUSSED

Beijing CAIZHENG YANJIU [FINANCIAL RESEARCH] in Chinese No 4, 31 Jul 83
pp 5-15

[Report by Xu Yi [6079 3015] on the work of the First Board of Directors of China's Finance Society]

[Excerpt] In the past 3 years or so, adhering to the ideological line of the 3d Plenary Session of the 11th CPC Central Committee, China's Finance Society has conducted comprehensive investigations, studies and theoretical discussions on major issues of the socialist modernization drive concerning financial and economic theory and policies and measures and made progress and achievements in many fields. The main expressions of such progress and achievements are as follows:

First, major theoretical issues such as interrelations of various socialist economic laws, production objectives and upholding a planned economy have been discussed.

In these 3 years, China's economic circles have carried out heated discussions on the objectives of socialist production and the relations between the socialist plan and the market. These discussions are major events concerning how to carry out financial work in accordance with economic laws and how to shift the strategy of financial work. Since the beginning of its preparation, the society has always showed concern for, participated in and organized such discussions. Through such discussions, some major viewpoints have been formed:

1. To observe economic laws, it is necessary to first observe basic socialist economic law. During a period before the 3d Plenary Session of the 11th CPC Central Committee, accumulation was emphasized to the neglect of the proportion of first- and second-category industrial products. This does not accord with the requirement of basic socialist economic law. In order to shift the strategy of financial work, we must, in light of the objectives of socialist production, consider consumption as a goal and starting point to arrange the proportion of different sectors in the national economy and handle well the ratio of funds distributed to production and living as well as accumulation and consumption.
2. Several mistakes found in past economic development were not problems of the planned economy itself. They were caused by leftist errors, unclear

production objectives and mistakes in macroscopic policy decisions. Violating economic laws in drawing up plans means not only violating the law of value but mainly violating the basic economic law and the law of planned development.

3. The law of planned economic development only applies to tasks to be fulfilled by planned economic development; such tasks are included in the basic socialist economic law. Therefore, the law of planned economic development can be brought into full effect only when the basic socialist economic law is used as a basis.

4. A planned economy is the basic characteristic of the socialist economy, and market regulation is only supplemental. By no means should we let the law of value totally control the market. Because of this, we must submit taxation and the reform of enterprises' financial system to the prerequisite of "practicing a planned economy on the basis of public ownership" and correctly handle the relations between the unified leadership and overall balance of the macro-economy and the autonomy of enterprises. Expanding enterprises' autonomy in the reform and respecting enterprise commodity producers who are relatively independent should still be mainly guided by the state plan.

These viewpoints are not the same as the enterprise departmentalism advocated by some comrades in China's economic circles. These comrades hold that past problems can be attributed mainly to the fact that enterprises have not become an economic entity in operational activities and the functions of the law of value have not been fully utilized. They think reform should give independent commodity producers a free hand.

5. With regard to how to apply the law of value, many comrades hold: Price is one of the important levers of distribution; consideration must be given to the interests of the state, producers and consumers; the relations between the three must be correctly handled; and the price lever must be applied together with the tax lever in order to give better play to its role of regulating production and consumption and promoting economic accounting. As for the price reform, these comrades hold that adjustment can be made only on the basis of current prices in accordance with price disparities between comparable products to make profits and price disparities reasonable. In reform, we must adhere to the policy of stabilizing prices, which China has always upheld.

In China's economic circles there are also some people advocating production price theory. They contend that prices should be reformed in accordance with the average profit rate of funds and that production prices are an objective demand of large-scale socialized production and advanced technology, and are also needed for conserving funds.

Theories are always developed through contention. Discussions on these major economic theoretical issues are conducive to implementing the principle of letting a hundred schools of thought contend as well as forming and developing different schools of thought.

Second, theoretical and practical issues on correctly handling the dialectical relations between readjusting and restructuring and conscientiously implementing the eight-character policy centered on readjusting have been discussed.

Since the party Central Committee set forth the policy of readjusting, restructuring, consolidating and improving, different views have arisen in academic circles on how to carry out this policy. Because of this, we have organized many discussions beginning with summing up China's experiences and lessons in the past 30 years. Through discussions, we have concluded that the four aspects of the eight-character policy should be approached with the viewpoint of dialectical entity. That which is the center should be determined by the main aspects of the main contradictions dominating different periods of time. Readjusting involves issues concerning the ratios and balance of economic sectors, while restructuring involves issues concerning relations of production and the realm of the superstructure. Therefore, without readjusting, the overall national economy would not be revitalized under the circumstances that the national economy is seriously disproportioned, the construction scale has exceeded national strength and the industrial structure is very irrational. Even when the local economy and enterprises are partially revitalized, the national economy would still be unable to secure a sound development. Therefore, readjusting should still be considered the center and key among the four aspects for the present. Efforts should be made to correctly handle the relations between the key aspect and the three other aspects.

With regard to how to conduct restructuring, we have emphatically organized investigations, studies and discussions on the restructuring of the financial system, enterprises' financial systems and the tax system. Many comrades have clearly affirmed the following views:

1. Restructuring must be carried out under the prerequisite of insisting on the domination by a planned economy. We should study how to give full play to the dominant role of the mechanism of planning in light of China's actual conditions and the demands of the development of productive forces, and properly handle the relations between the planned economy and the utilization of the supplemental role of market regulation.
2. Under the guidance of the plan, necessary management autonomy and flexibility should be given to enterprises to arouse their initiative. Enterprises' management autonomy must be subordinate to the centralism, unification and planning of the state and enterprises' initiative should be brought into play in a planned manner and in accord with the demands of the basic socialist economic law and the law of planned and proportionate development.
3. With regard to the orientation of restructuring systems, efforts should be made to eliminate the misunderstanding that restructuring means asking the state for money or digging into the financial foundations. Restructuring should mean handling well the relations between tasks and rights, rights and responsibility, and rights and interests. While handling the relations of distribution between the state and enterprises, we must master the rational quantitative limits and insist on giving the larger portion of annual profit increase to the state to guarantee its needs on a priority basis.
4. With regard to restructuring the tax system, efforts must be made to break the old frame--namely, eliminating the theory of equating the tax lever to the profit lever. The necessity and inevitability of taxation under the conditions

of socialism and functions of the tax lever in coordinating among economic laws and relations of distribution have been studied. Special attention has been paid to studying the question: Under the situation that commodities and the law of value still exist in our socialist society, how do we bring into play the regulatory role of commodity taxes in light of price policy so as to contribute to guiding production and consumption, perfecting the economic responsibility system, readjusting the economic structure and improving the economic results?

5. Economic levers such as finance, taxation, profits, prices, credits and wages should be correctly utilized on the basis of the socialist economic law system to coordinate and condition themselves so as to form a regulatory system of economic levers. Restructuring of the planning, financial, supply, and capital construction, banking, price, industrial, communications, commercial and labor systems should be coordinated and carried out simultaneously on the prerequisite of being conducive to readjusting the economy so as to establish and perfect a whole set of economic management systems suited to China's actual conditions.

Third, theoretical issues concerning the important position and functions of state revenue in the national economy and how to correctly handle the mutual relations between the economy and state revenue and between the economic structure and the financial distribution structure have been discussed.

Through summing up 30 years of experiences and lessons, we have continuously deepened our understanding of the dialectical relations between the economy and state revenue, and we believe that we must pay great attention and give full play to the role of state revenue in the economic readjustment. At the same time, proceeding from the counterreaction of state revenue of the economy, we have also brought up and discussed a brand new issue on the relations between the distribution and economic structures. Our conclusion is that the two depend on and condition each other. Judged from current production, the economic structure determines the distribution structure. Judged from the changes in the economic structure, the distribution of investment in turn plays a vital dynamic role in restructuring the economic structure. As far as financial work is concerned, the key is to study the counterreaction of the distribution structure on the economic structure. This issue has drawn attention from all fields since it was brought up. Major viewpoints have been formed in this regard:

1. As far as the distribution of products is concerned, the distribution structure is determined by the economic structure. In other words, judged from the existing structure, the distribution structure is determined by the economic structure. As far as the distribution of productive factors is concerned, the distribution structure of different productive factors can in turn determine and serve as a means to form different economic structures. Therefore, judged from the changes of development, the economic structure is determined by the distribution structure. Its expression is that the ratio between accumulation and consumption, the production of different sectors of the national income and the distribution structure of financial expenditures condition and regulate the formation and development of the structure of economic departments. China's current economic structure is mainly formed through financial investments year after year.

2. To eliminate the irrational economic structure, we must start from readjusting the irrational distribution structure. In other words, we should properly readjust the lopsided development of the current economic structure by rationalizing the distribution of funds. Therefore, readjusting the ratio between accumulation and consumption of the national income in a planned manner, and readjusting the orientation and various proportions of financial investments should be the most fundamental and primary lever for readjusting the irrational economic structure.

3. We should link readjusting of the distribution structure with balancing of national strength and construction. In other words, we must readjust the distribution structure according to our capacity, and the readjustment must be kept within the range permitted by national strength. If we increase some departments' investments by creating deficits, we are bound to destroy the balance between national strength and construction, throw social reproduction as a whole into chaos and be unable to achieve expected results.

Bringing up the above views is of immediate significance because these views have proved in theory the necessity of readjusting the orientation and proportion of financial investments and the principles which should be observed at present.

Fourth, theoretical and practical issues on how to eliminate financial deficits and consolidate the overall balance of finance, credits, foreign exchange and supplies have been discussed.

Since the establishment of China's Finance Society, in view of the occurrence of large deficits and considering "relentlessly grasping the readjustment, stabilizing the economy and eliminating financial deficits" as central tasks, we have further summed up past experiences and lessons gained in financial work and thoroughly discussed the formation and danger of financial deficits and measures to wipe out deficits. The following views have been formed:

1. The occurrence of financial deficits in China is not caused by deliberately promoting deficit financing and inflation policy, but by a series of contradictions which occurred in economic work over many years. In China, there is no such thing as using Keynesianism to guide the national financial budget.

2. The Western countries pursuing Keynesian deficit financing and an inflation policy have achieved some results during a certain period of time, but, like drinking poison to quench one's thirst, they have all suffered endless trouble and an escalating economic crisis which has become what they call the "No 1 common enemy." China is a socialist country which even less would believe in Keynesianism.

3. In the socialist economy, deficits are harmful instead of being harmless. The occurrence of financial deficits in China is a consequence of irrational economic structures, an excessively high accumulation rate and disproportion as well as a detrimental effect caused by leftist ideas in economic work over a long period of time. We must conscientiously eliminate the influence of

leftist ideas in economic work and adhere to the principle of maintaining a balance between revenue and expenditures with a little surplus. Eliminating financial deficits is a key to stabilizing the economy, guaranteeing the achievements of readjusting and restructuring and gradually improving people's living standards, as well as a prerequisite for smoothly carrying out economic readjustment, doing a good job in system restructuring and guaranteeing steady development of the socialist modernization drive.

4. We must uphold Comrade Chen Yun's idea about suiting construction scale to national strength and emphasize that using national strength to condition construction scale is a basis for developing the national economy in a proportionate and coordinated way. Individual and overall balancing of finance, credits, foreign exchange and supplies is the basic way to condition the balancing of construction and national strength. At present, we must readjust our overextended construction scale to match financial and material capabilities. An important criterion for a good job in readjustment is elimination of financial deficits and consolidation and balance of finance, credits, foreign exchange and supplies.

5. We should watch out for credit inflation. Under the situations of disproportion and financial deficits, savings deposits are not suitable to be used for increasing capital construction investment loans in order to avoid adding fuel to the flames, namely, further extending the capital construction front and enlarging the disparity between construction and national strength.

6. All foreign debts must be repaid with enterprise profits, and not be disconnected from state revenue. Consideration should be given to the capability of payment and the deadline of fund recovery. Efforts must be made to do a good job in balancing revenue and expenditures as well as foreign-exchange earnings and payments.

7. Banks' intermediate- and short-term equipment loans should be issued on the precondition of organizing an overall balance between funds and material resources to facilitate the control of currency issuance and economic stability. Intermediate- and short-term equipment loans must be based on the state plan and the technological economic policy and repaid by enterprises with their own money so as to facilitate enterprises' technical transformation, achieve an overall balance in all fields, control the construction scale and perfect the economic responsibility system. In addition to the above-mentioned viewpoints, there have also been some suggestions for some slight use of deficit budgeting and supplementing financial deficits with credits.

Fifth, issues concerning application of comprehensive financial theories and plans have been discussed.

In the past 3 years or so, we have conducted a series of discussions on the topic "Comprehensive Finance Is Also a Science," assigned by Comrade Bo Yibo, honorary chairman of China's Finance Society.

Many comrades contend that comprehensive finance is an important means to study planned and proportionate distribution and overall arrangement and utilization

of different kinds of funds in society (including budgetary and extra-budgetary funds, credits, special funds for enterprises, foreign investments and foreign exchange) so as to increase the effect of fund utilization and accelerate a steady economic development. Doing a good job in comprehensive accounting, analysis and balancing in the course of socialist production and implementing the comprehensive plan are the basic measures. The more expanded enterprise autonomy is, the more necessary it will become for state financial departments to strengthen control, supervision and overall balance of all funds. There are two ways to do this. One is the state policy of technological economy; the other, a comprehensive revenue and expenditure plan. With such a plan, the rule of state financial departments would not be weakened by the transfer of financial power to lower levels. Instead, state financial departments could get rid of some concrete duties, give better play to their role of regulation, suit fund distribution to the economic plan and construction scale through overall arrangement and rational utilization of various funds.

As things stand now, doing a good job in the comprehensive financial plan has already become extremely necessary and urgent. Functions of the comprehensive financial plan are: to strengthen the macroscopic control, organization, collection and coordination of funds from all channels; to strive to do a good job in connecting all links and, on the precondition of not changing the ownership of funds and guide the utilization of funds in right direction, ensuring that all funds are properly used, used where they are most needed and used to make up for deficiencies, and that the economy is developed in a planned and proportionate manner. The comprehensive financial plan covers six aspects: Budgetary funds, extra-budgetary funds, special funds allocated to state-owned enterprises in accordance with concerned regulations and profits allowed to be retained by them, profits allowed to be retained by enterprises owned by large collectives, communes and brigades after deducting taxes, banks' credit funds, and foreign investments borrowed and returned by localities and enterprises on their own. The key to management lies in extra-budgetary funds, especially the part that is owned by enterprises and the part of banks' credit funds that is to be used for construction loans.

We have also organized special studies on the issue of managing extra-budgetary funds. We believe that extra-budgetary funds are funds which, according to state regulations, are not included in the state budget, can be collected, withdrawn and controlled by all local financial departments, state organs and state-owned enterprises and establishments and can be used in accord with local conditions for some specified purposes. As a form to manage state revenue at different levels, such funds belong to the second budget. Comprehensive finance has extended the range of financial distribution based on the state. It is a theory and technique we can use to study the movement, law, formation and interrelations of all social funds and to search for the most effective ways to use them. It should guide, coordinate, control and balance in a comprehensive manner different kinds of funds in the course of social reproduction. When drawing up a comprehensive financial plan, efforts should be made to correctly handle and properly solve the contradictions between the right to own and the right to use funds and, on the precondition of recognizing the right of departments and units to own the funds, guide all funds to be quickly included in the state plan and direct the utilization of all funds. In order

to properly use funds, it is necessary to meet the demands of the basic socialist economic law, abide by the principle of taking the whole country into account, follow the state policy of technological economy, adhere to the principle of combining the unified plan with plans based on local conditions and observe the principle of maintaining an overall balance. Experiences gained by Jiangsu Province and Anyang Prefecture of Henan Province in drawing up comprehensive financial plans in the past year or two should be publicized.

After being advocated, studied and discussed by the society for over 3 years, the issue of comprehensive finance has not only been strengthened ideologically but also been applied to practical work in the form of drawing up comprehensive financial plans.

Sixth, theoretical and practical issues concerning ways to make, accumulate and use money, improve economic results and increase and economize on construction funds have been discussed. Paying attention to ways of making, accumulating and using money, improving economic results and increasing and economizing on construction funds are among the important principles put forward by the Fourth Session of the Fifth NPC for state economic construction. Before this session, the society had already used these issues as a main topic to conduct systematic discussions at the fifth national meeting of financial theoretical discussions convened in accordance with the directives of leading comrades of central authorities.

Through such discussions, we hold that increasing production to improve people's living standards is the objective; therefore, making money is the basis, accumulating money is the means, and using money must be based on the objective. Therefore, money should be accumulated in a correct and proper way on the basis of the ways of making and using money. Money is used to make money. We must consider moneymaking the target and satisfying people's needs, the objective. Great effect will be created when money is used properly. In order to maintain a certain growth rate of production and develop the economy in proportion, we must accumulate funds accordingly, pay attention to ways of accumulating funds, guarantee the necessary supply of funds and find ways to improve the economic results of fund utilization. Therefore, in a certain sense, accumulating and utilizing money is a key to whether future production and the national economy can achieve a benign circle, whether the national economy and state revenue can achieve a steady growth, whether construction can yield practical results and whether the people can benefit from them.

We also hold that while discussing ways to make money, financial departments must study how to use state revenue to balance in an all-round manner the distribution and redistribution of the national income. We should correctly determine the distribution structure to accelerate the rationalization of the economic structure and enterprises' organizational structure. We should also promote technical transformation and do a good job in multipurpose utilization to increase the growth rate of the entire economy. Waste and losses should be checked to increase state revenue. This is a way to use and make money. At the same time, we must concentrate on perfecting the enterprises' economic responsibility system. We should not only mobilize all forces to tap enterprises' potential and increase production and income but also correctly handle

relations between the state, enterprises and individuals to enable the state to concentrate all necessary funds to meet the needs for technical transformation of the national economy, major construction projects of coal, power, petroleum and transportation industries and development of science and technology, culture and education and public health services. This is a way to accumulate money as well as a way to make money by arousing the enthusiasm of all circles to tap economic potential. Financial departments must base their work on making money and devote more time and efforts to accumulating and using money.

The finance society has also organized discussions on the issue of distributing financial resources. Our past experiences in distributing financial resources since the founding of our country have been summarized as seeking truth from facts, doing what one is capable of, unified planning with due consideration for all concerned and an overall balance. After analyzing the situations of readjustment and changes of financial resource distribution in recent years, we believe that many aspects of distribution have exceeded objective and rational quantitative limits, causing excessive distribution and contradictions, such as reduction of state revenue and decentralization of financial resources. We suggest that on the basis of fully affirming the orientation of readjustment and reform in the past few years and consolidating existing achievements and in view of the crux of the problem, we should guide our ideology with "stabilizing policies, properly readjusting the proportion and achieving an overall balance in fund distribution and utilization," strengthen the centralized and unified management of the state plan, further perfect the systems of state revenue and financial affairs, actively adopt some feasible, instantly effective measures to increase production, practice economy, increase income and economize on expenditures, accelerate the improvement of economic results, gradually raise the proportion of state revenue in the national income, and guarantee the proper centralization of central authorities' financial resources so as to satisfy the needs of the state's major construction projects and give full play to the superiority of the socialist planned economy.

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CSO: 4006/006

GENERAL

RATE OF CHINA'S ECONOMIC DEVELOPMENT ANALYZED

Beijing JINGJI RIBAO in Chinese 1 Aug 83 p 3

[Article by Zhong He [6945 4421]: "Analyses of the Speed of Economic Development During the 10 Years of Internal Disorder"]

[Text] In studying our country's economic issue, some comrades questioned why the speed of development was relatively high during the 10-year period of internal disorder when the national economy was seriously undermined. They asked whether or not the statistical figures reflected the reality. We feel that, looking back on the tortuous course of the economic development during this period and learning the lessons from it have helped us maintain our soberness and persevere in seeking truth from facts as our principle in making steady progress in construction. They have helped us deepen our understanding of the party's present line, principle and policy and raise our consciousness in implementing the spirit of the 12th CPC Congress and the 6th NPC. This is of realistic significance. This article will make a few inquiries into this issue.

1. The speed of development during this period was not that rapid. During the 10-year period of internal disorder, the counterrevolutionary clique of Lin Biao and Jiang Qing went against the historical trend, which led to the boycott and struggle waged by many revolutionaries of the older generation and the broad masses of cadres and people. The struggle between the revolutionary forces and the counterrevolutionary forces had run through the course from beginning to end. Under this political situation, the speed of economic development was affected. In the 10 years from 1967 to 1976, the average annual increase of the gross industrial and agricultural output value was 7.1 percent, which was lower than the average annual increase at 8.5 percent during the 14 years from 1953 to 1966. Industry increased 8.4 percent, which was lower than the average annual increase of 12.9 percent in the 14 preceding years. Because economic management during this period was in a state of confusion, serious waste occurred, material consumption increased and economic results lowered. Calculating from the net industrial output value, the average annual increase from 1967 to 1976 was 7.2 percent, which was much lower than the average annual increase of 13.6 percent in the 14 preceding years.

During this period, production rose and fell dramatically. As the Lin Biao and the "gang of four" were ideologically armed against the country, many enterprises came to a halt in work and production. As a result, in 1967 and 1968, the gross industrial and agricultural output value was lowered 9.6 percent and 4.2 percent, respectively, over 1966. Afterward, the "gang of four" again whipped up the campaign to criticize Lin Biao and Confucius and the so-called counterattack of the right deviationist attempt to reverse correct verdicts. As a result, the speed of increase in the gross industrial and agricultural output value in 1974 and 1976 was less than 2 percent. That is to say, out of these 10 years, 4 either stagnated or regressed. As for those years when the increase was relatively fast, in 1969, the increase was 23.8 percent. This embodied the character of recovery after the 2 successive years of decrease. In 1970, the increase was 25.7 percent and in 1971, 12.2 percent. This was primarily because of the engagement in the construction of the "three major fronts" when investment increased vigorously, thus stimulating the development in heavy industry. In 1973, the increase was 11.9 percent. This was because Comrade Deng Xiaoping was in charge of the work in the central authorities and he emphasized economic readjustment, which brought about a turn for the better in the order of production. The above described rise and fall in the various years have basically reflected the changes of the political and economic situation at that time.

II. Energy resources were promoted rapidly and this supported the development in industrial production. During these 10 years, because of the rapid development in petroleum exploitation, the average annual increase of one-time output of energy resources was 9.2 percent (crude oil increased 16.1 percent). This surpassed the speed of growth of the gross industrial output value in the corresponding period of time.

The development of the petroleum industry not only provided more adequate energy resources for economic development, but also played a greater role in the growth of industrial output value as petroleum itself was the raw material for the petrochemical industry. In 1976, petroleum industrial output value reached 20.1 billion yuan, an increase of 7.8 times compared to 1966. The speed was even faster if we take into account also the increase in the petrochemical industrial output value. For instance, in Shanghai Municipality, the volume of crude oil processing increased from 11.34 million tons in 1966 to 44.72 million tons in 1976. This enabled the output of ethylene to increase 8.8 times and chemical fiber to increase 1.6 times. The development of petrochemical industry also provided more raw materials for the development of light and textile industries. This enabled the textile industry in Shanghai to increase its gross output value by 46 percent even without an increase in the supply of cotton.

III. The speed during this period has an undeserved reputation and was an actual disaster. First, it squeezed out the people's standard of living in going for accumulation. During these 10 years, the average rate of accumulation was 30.3 percent, while the average rate in the preceding 14 years was only 27 percent. In the gross amount of accumulation, the proportion of productive accumulation was raised from the 69 percent of the preceding 14 years to 77 percent. The total productive accumulation of the

10 years was 458.8 billion yuan, with an annual average of 45.88 billion yuan, more than double the annual average of 21.7 billion yuan of the preceding 14 years. Because accumulation had crowded out consumption, and productive accumulation had crowded out nonproductive accumulation, the level of consumption of the urban and rural residents during these 10 years only increased 1.9 percent on the average each year. The level of actual wages of the workers under the system of ownership by the whole people in 1976 was 6.5 percent lower than that of 1966. There were innumerable debts incurred in such aspects as culture and education, health and sanitation, urban facilities, residential quarters and labor employment, and there were heaps of problems. Second, development was distorted and the proportionate relationship was in serious disharmony. During these 10 years, we vigorously developed heavy industry with steel as the key. The proportion of the heavy industrial output value in the gross industrial and agricultural output value rose from 32.7 percent in 1966 to 38.9 percent in 1976. Furthermore, there were many self-serving products in heavy industry and few products that served agriculture or light industry. The product structure and the direction of use were very irrational. Compared to 1966, in 1976, the manufacturing industrial output value doubled while the extraction industrial output value only increased 1 time. The "pillaging style" of excavation was still adopted. The ration of reserve and exploitation in the petroleum industry went from 73.4:1 in 1966 to 15.6:1 in 1976. The period of coal recovery extraction capability of the state monopolized coal mines went from 8.7 months to 6.8 months. Agriculture developed slowly. The proportion of gross agricultural output value in gross industrial and agricultural output value went from 35.9 percent in 1966 to 30.4 percent in 1976. In agriculture, only grain was emphasized. Many places encircled lakes and filled up ponds to build farmland, reclaimed land by destroying forests and grassland, thereby disrupting the ecological balance. We cut off the sideline undertakings and diversified economy of the commune members as "capitalist tails." In addition, we went for egalitarianism in distribution, which seriously dampened the enthusiasm of the peasants and fettered the development of the productive forces. Compared to 1966, in 1976, the per capita cotton output throughout the country was reduced 32 percent and oil-bearing products by 24 percent. Even the grain under "taking grain as the key link" increased only 5.8 percent in these 10 years. Third, the economic results were obviously lowered. During these 10 years, the average annual per capita national income increased only 1.9 percent, which was much lower than the average annual increase of 5.4 percent in the preceding 14 years. Only 18 yuan of national income was created by 100 yuan of productive accumulation, which was 61 percent less than the average 46 yuan in the preceding 14 years. The average delivery rate of the fixed assets was 59.8 percent, which was much lower than the average 76.9 percent of the preceding 14 years. Many ill conceived construction projects were launched. By the end of 1976, the investment used without repayment by the projects under construction reached 71.6 billion yuan. The national income created by every ton of energy consumption was 507 yuan, which was one-third less than the 782 yuan in 1966. The profits and taxes brought about by 100 yuan of capital of the independent accounting industrial enterprises under the system of ownership by all the people went from 34.5 yuan to 19.3 yuan. The rate of intact equipment and installations of many enterprises also decreased.

In short, the economic faults during the 10 years of internal disorder have brought about serious consequences of far-reaching influence. The consequences in some aspects have not been totally eradicated till this day.

In the above, we have used statistical figures to show that during the 10-year period of internal disorder, although the speed of increase in our country's grain, industrial and agricultural output value was relatively high, the approach was one of typical high accumulation, low consumption and low results. This inference is a reality which everyone recognizes. This further shows that, although the statistical figures of this period are not complete, they basically reflect the trend of change of the economic development during that time. From these preliminary analyses, we have profoundly realized that if we pursue in a one-sided manner the speed of growth of output value during a period of time at the expense of a rational proportionate relationship, at the expense of economic results and at the expense of a long-term speed of growth, we will bring about the above evil consequences. We should never forget this lesson.

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(50) 3006/111

GENERAL

GEOGRAPHER PROPOSES DIVISION INTO ECONOMIC REGIONS

QW071110 Beijing XINHUA in English 0850 GMT 7 Nov 83

[Text] Beijing, November 7 (XINHUA)--Full consideration should be given to the differences between various regions when working out local development plans, said Li Wenyan, of the Institute of Geography of the China Academy of Social Sciences.

Speaking at a recent development strategy forum sponsored by the Technical and Economic Research Center of the State Council, Li said China's regions are vastly different in economic and social conditions and scientific and technological development. The country also had vast natural resources, yet held only a small per-capita share of the world's reserves to its large population, he added. Therefore, while the economic and social development gaps between regions and between cities and the countryside should be narrowed, their own characteristics should be retained, he said.

Li proposed dividing the country into from seven to nine comprehensive economic regions. The regions could be further divided into 20 or 30 sub-regions and 200 to 300 primary economic areas.

The plan would help bring the role of each economic center into full play, aid rational utilization of land and smooth administration, he said.

Li also held that China could be divided into three types of economic regions--economically advanced regions; medium-level regions and economically backward areas.

This would help China select key regions for development, he said.

CSO: 4020/028

GENERAL

INTERREGIONAL ECONOMIC COOPERATION STEPPED UP

OW080951 Beijing XINHUA in English 0842 GMT 8 Nov 83

[Text] Hohhot, November 8 (XINHUA)--Inner Mongolia [Nei Monggol] this year has signed 22 agreements on economic and technical cooperation with coastal cities and provinces and ministries, according to the regional government.

The agreements, worth 200 million yuan, cover expansion of Inner Mongolia's sugar refining, glass and soda ash industries, development of nonferrous metals, upgrading coal mines and multi-purpose utilization of forest products, said Wang Yanfeng, director of Inner Mongolia's office in charge of interregional economic and technical cooperation.

"Cooperation takes the form of compensation trade, technical transfers, co-production and material exchanges," he said.

Projects under the cooperation plan will add an output value of 200 million yuan annually when they go into operation, the director said.

Inner Mongolia--one of the pioneers in carrying out interregional cooperation in China--reported a 15.3 percent increase in the value of industrial and agricultural output in 1982, he said. "The increase is due largely to economic and technical cooperation with 22 provinces, municipalities and autonomous regions," he added.

Material exchanges, such as coal for light industrial goods, between Inner Mongolia and other parts of China were valued at 270 million yuan in the past two years, he said. In addition, several thousand technical exchange projects have been conducted.

The director cited as an example of successful interregional cooperation, the No. 2 brick and tile factory in the autonomous region's capital, Hohhot. In April 1982, a new kiln built with 850,000 yuan loaned by the city of Wuxi, Jiangsu Province, was put into operation. The kiln has produced 20 million bricks since then. The factory has repaid the loans and made a profit of 200,000 yuan, he said.

Another example is the cooperation between the Inner Mongolia radio factory and Wuxi's No. 5 radio factory. Wuxi's factory provided advanced transistor

components, technology and data. It also helped install a production line, raising the factory's daily output from 200 to 800.

"Inner Mongolia covers a vast area and has rich natural resources but is short of funds and technology," said the director, adding that the region will be able to speed economic growth with economic and technical assistance from other areas.

CSO: 4020/028

GENERAL

XINHUA INTERVIEWS XINJIANG TU OFFICIAL

OW301303 Beijing XINHUA in English 1141 GMT 30 Oct 83

[Text] Beijing, October 30 (XINHUA correspondent)--Memet Sayd, the top union leader in the Xinjiang Uygur Autonomous Region, today described trade unions as a "bonding agent" helping the region's 13 million people of 13 nationalities in their effort to uphold China's unification.

Sayd, chairman of the regional trade union council, told XINHUA, that union cadres often busy themselves with painstaking--or even trivial--mass activities to get workers involved in development of the 1.6 million-square kilometer region. China's central authorities have said Xinjiang will receive top priority in the country's modernization drive at the turn of the century.

Sayd, who began his career as a union organizer in the early 1950's, said more than two million people in Xinjiang were on the government payroll, a third of them belonging to groups including the Uygur, Kazak, Mongolian, Tajik, Hui and Xibo minorities. Eight hundred thousand of the regions 900,000 industrial workers were union members, he added.

Serving the Needs of Minority Workers

"One of our prime tasks is to teach workers of different nationalities to respect each others' customs and religious beliefs in the interests of unity," the trade union council chairman said.

As part of this effort, the Xinjiang petroleum trade union has compiled a pamphlet specifying in minute detail the special habits and customs of Muslims for circulation among workers of the Han nationality, he said. Hans account for about 70 percent of the union's 80,000 members, most of whom work in the Karamay oilfield and the Dushanzi oil refinery.

Muslim workers, in their turn, are often reminded by union officials of the importance of unity with their Han colleagues. "Unity is the key to Karamay's steady production growth. The oilfield now puts out four million tons annually," Sayd said.

Even more important, he continued, was work done by union officials to serve the needs of minority workers, work which ensured that their religious

beliefs and special customs were respected. In assigning housing, unions in many enterprises saw to it that workers sharing religious beliefs and customs were concentrated in one building, he said.

Union organizations in Xinjiang have also assisted the government in implementing its policy of ensuring citizens the right to believe or not to believe in religion. "It is the unions' duty to provide conveniences for believers who correctly exercise their right of freedom in religious beliefs under the government policy," the union leader emphasized.

Improving Cultural and Technical Level of Workers

In upholding the minority workers' rights and interests, Sayd said, it was also essential to improve their cultural and technical level.

"We have the pressing task of helping minority workers improve their intellectual competence to master modern scientific, technological and managerial skills," he said.

The proportion of skilled laborers among Xinjiang's minority workers was still well below that of the Hans, he admitted, adding that most minority highway transportation workers were maintenance workers rather than drivers.

"This is part of the legacy left over from the old society, when policies of racial discrimination and class oppression were practised," Sayd pointed out. "Unions must help eliminate intellectual backwardness among minority workers, even though the work is time-consuming."

Xinjiang's architectural engineering, textile, machine-building, posts and telecommunications and banking unions have organized technical exchanges and demonstrations for workers of all nationalities. "Many young minority workers emerged winners in regional technical competitions," Sayd said.

Unions and union organizations at enterprises have also started training schools or continuation classes for minority workers. "We are now planning to start a continuation school especially for model workers in their 20's, to help them become qualified for college entrance examinations," the chairman said.

Each year, unions in Xinjiang send a selected number of minority model workers on study tours of better developed areas including Beijing, Shanghai, Tianjin and other economic centers. The Daqing oilfield, which furnishes half of China's crude oil, has received three delegations of Xinjiang oil workers since 1981. "On their way back from Daqing," Sayd said, "they visited Dagang, Renqiu and other oilfields and factories and ports. Members told us that the visits helped them acquire a better understanding of where they lagged behind and how to improve."

Education in Patriotism

Visits and tours like these, according to Memet Sayd, were in themselves an education in patriotism for those on the delegations. "Our people were impressed by what they saw and felt--the seething life of China's cities and countryside, and the fraternity they were accorded wherever they went," he said.

"Over the centuries," he said, "people of all nationalities in Xinjiang have fought arduous struggles to safeguard China's unification and territorial integrity. Our unions have the task of helping our workers, through education, to carry forward the glorious tradition of patriotism."

"Union officials must be educated first, if they are to help in workers' education," Sayd continued.

The trade union council now runs a training school for local union officials in Urumqi, the region's capital. The school runs six-month sessions, each attended by 250 people.

Earlier this year, the cadres' school of the All-China Federation of Trade Unions in Beijing opened a special class for 56 trainees from Xinjiang's minority nationalities.

CSO: 4020/028

GENERAL

JINGJI GUANLI DISCUSSES RESPONSIBILITY SYSTEM

HK190815 Beijing JINGJI GUANLI in Chinese No 10, 5 Oct 83 pp 28-31

[Article by Wang Jue [3769 3778]: "Another Discussion of Economic Responsibility Systems"]

[Text] 1. On the Theoretical Basis of the Economic Responsibility Systems Governing Socialist Enterprises

In practice, the majority of people accept the necessity of socialist enterprises (no matter whether they are under ownership by the whole people or under collective ownership) implementing various forms of responsibility systems. However, theoretically, there have not been sufficient discussions and expositions to warrant a completely clear understanding of this question. We must continue to sum up practical experience, carry out in-depth studies, and make theoretical generalizations.

The systems of enterprises' economic responsibility currently referred to generally embody two categories of economic relations, namely, inner-enterprise relations of responsibility, power and interests, and relations of responsibility, power and interests between the enterprise and the state. Why do economic responsibility systems constitute the only means for rationally handling these two categories of relations, if the smooth development of social productive forces is to be promoted?

I think we must discover the answer to this question from the specific form and method of integration of workers with the means of production under socialist conditions.

Under capitalism, the workers are divorced from the means of production. Only under the condition of wage labor and in the capitalists' enterprises [word indistinct] can the workers be integrated with the means of production. Under this capitalist relation, the establishment of economic responsibility is centered round increasing exploitation by the capitalists and expansion of the capitalists' power. Therefore, economic responsibility is a specific reflection of capitalist production relations. Under socialism, because workers jointly own the means of production, the integration of workers with the means of production is simpler in some aspects but more complicated in other aspects. We say it is simpler, because as co-owners of the means of production, the workers

can directly allocate and use the means of production, the workers can directly allocate and use the means of production and also carry out the production and reproduction of material resources, so as to satisfy their own needs and the needs of the entire society's development. On the other hand, in the stage of socialism, and in particular, in the present stage in China, this integration is complicated in certain aspects because the development of the productive forces is at a low level and unbalanced.

First, there are external and internal differences in the scope and scale of integration. External differences refer to differences between the state sector of the economy, the collective economy and the individual economy. Internal differences mean that in the collective economy, there are differences between households, groups, and enterprises as basic economic units, while in the state sector of the economy, there are differences between corporations and enterprises as basic economic units.

Second, concerning the methods of integration, there are differences between direct and indirect integration, and between long-term and short-term integration. There are many methods of integration, for example, through planned and centralized distribution by the state, through the drawing up of contracts between enterprises and workers, through workers' voluntary joint operation, and so on.

Third, there are differences in the economic interests associated with integration. Workers' labor has both a social and a personal aspect. Therefore, differences in different workers' labor lead to differences in the workers' economic interests. They also lead to differences between the enterprises' partial labor and direct social labor, and hence, to differences between collective interests and social interests, with the state representing social interests.

Under socialist conditions, judging from the nature of production relations, joint labor is the specific form and method of integration of the workers with the means of production. However, it is based on the workers' joint ownership of the means of production. We cannot explain the social nature of joint labor in isolation from the precondition of the joint ownership of the means of production by the workers.

Based on the above analysis of the form and method of integration of workers with the means of production under socialist conditions, we will now devote special attention to studying the theoretical basis of the implementation of economic responsibility systems in the state sector of the economy.

First, within the state sector of the economy, the form of integration of workers with the means of production is actually divided into two levels. Judging from the ownership of the means of production by the whole people and the social nature of labor, the integration, as represented by the state. This is the first-level integration in the state sector of the economy, or the first level of joint labor. However, because labor is specific and because of the development of social division of labor, within the state sector of the economy, the specific integration of workers with the means of production is inevitably ful-

filled by the enterprises as basic units. This is the second-level integration or the second level of joint labor.

Second, the above-mentioned two levels of integration or joint labor give rise to different economic interests corresponding to the two levels of integration. The first level embodies the workers' overall or long-term interests. The second gives rise to the enterprises' partial interests, which also arise from the personal nature of labor in joint labor.

Third, the two levels of integration and two levels of economic interests are realized through two levels of economic activities. Therefore, two levels of operation arise, namely, the reproduction activities of individual enterprises and those of the entire sector of the national economy. The former is the latter's basis, while the latter is the prerequisite and guarantee of the former.

To sum up, judging from the above-mentioned three categories of relations, within the state sector of the economy, although the relation between the state and the enterprise is that they represent two levels of the same economic relation, that is, they belong to the internal structure of the same production relations, yet they have different standings, roles and characteristics.

This is because in the production relations of the state sector of the economy, aside from the unified nature of public ownership and the coincidence of all workers' basic interests, there exist differences and contradictions between the workers' partial labor (in relation to the enterprise as the basic unit) and direct social labor, and between the personal and the social nature of the workers' labor. The [word indistinct] category of differences and contradictions must be regulated through the exchange of commodities at equal value, while the latter category must be regulated through distribution according to work done. These two kinds of regulation must be realized under the guidance of unified planning so that equilibrium in the proportional relationship of social reproduction can be guaranteed. Therefore, both levels of integration in the state sector of the socialist economy, namely, the first level represented by the state and the second level represented by the enterprises, must be relatively independent. Representing the state sector of the economy, the state is the main body of the economy; whereas the enterprises, being the basic units in the state sector of the economy, constitute the main body in the area of operation. However, both the state (as the first level in joint labor) and the enterprises (as the second level in joint labor) represent the unity of the owners and the users of the means of production, with workers as the main body of these owners and users. However, differences also exist in this kind of unity: the state, representing the workers as joint owners of the means of production, mainly reflects the owner aspect; whereas the enterprises, representing the workers as joint users of the means of production, mainly reflect the user aspect. We must acknowledge this difference.

Judging from the above analysis of the internal structure and internal contradictions of the production relations in the state sector of the economy, a smooth development of productive forces in the state sector of the economy objectively requires that we practice the responsibility systems, whose core is the integration of responsibility, power and interests, which give due consider-

ation to the interests of the state, the collective and the individual, and whose main content is a direct link between the workers' personal income and the results of their labor.

2. On the Basic Content of Economic Responsibility Systems

The basic content of economic responsibility systems includes the following three things: first, the unity of responsibility, power and interests; second, giving due consideration to the relations of interests of the state, the collective (enterprise) and the individual worker; and third, a direct link between the remuneration for, and the results of, an individual's work.

Let us discuss the unity of responsibility, power and interests. If the state and the enterprises practice economic responsibility systems within the system of ownership by the whole people, the primary requirement is that the enterprises must be responsible to the state and fulfill various tasks of production and circulation assigned by the state. To fulfill its tasks and to genuinely shoulder its responsibility toward the state, an enterprise should enjoy a certain degree of decisionmaking power over human, financial and material resources in the links of production, supply and marketing. To fulfill its responsibility toward the state, an enterprise must not only have appropriate decisionmaking power, but must also have corresponding economic interests, so that in its economic operation it can have an internal motive force. If we say that the enterprise's responsibility toward the state is an external pressure, then the enterprise's economic interests constitute its internal motive force, while power guarantees the unity of the enterprise's responsibility and interests.

If the system of enterprises' responsibility in operation is to develop in a correct orientation, in handling economic interests, we must give due consideration to the interests of the state, the enterprise and the individual worker, mobilize the enthusiasm of various parties concerned, and enable the entire economy to develop vigorously along the socialist path. Because the state is the main body of the economy, it represents the people's overall and long-term interests and basically guarantees the continuity of the socialist system. Under the precondition of safeguarding the state's interests, the enterprise's interests must be ensured, because only thus can the enterprise carry out independent operation and develop by itself. With the enterprise's interests as the basis, the workers' personal interests must be continuously enhanced with the development in the enterprise's operation, so that the status and role of the workers as masters can be reflected in the correct handling of the interests of the individual, the enterprise and the state. Therefore, if in any way consideration is given to a single party alone, losses to the socialist economy will result, the working people's basic interests will be undermined, and a sustained and healthy development of the entire national economy cannot be achieved.

Under socialism, the workers' personal remuneration should be directly linked to their contribution in work. This is a vivid reflection of the correct principle that socialism can only be built on the concern for the individual's personal material interests. We must adopt various appropriate forms of distribution according to work done, and overcome egalitarianism.

In practicing various forms of economic responsibility systems, only by fulfilling the three basic requirements mentioned above can we ensure that a socialist enterprise can effectively carry out operational activities under unified state leadership.

In what forms can the above-mentioned content of economic responsibility systems be put into practice?

Although there are considerable differences between the responsibility systems arising from the reform of agricultural systems and those arising from the reform of urban industry and commerce, the basic points of rural contractual responsibility systems should be some common principles to be observed by urban state industrial and commercial enterprises in implementing economic responsibility systems. These basic points are mainly the principle of decisionmaking power and that of material interests. The practice of the contractual responsibility systems in the rural collective economy represents a major emancipation of the productive forces. Its most important expressions are that the peasants have final say and decisionmaking power over production and operational activities under the guidance of state planning, and that the commune members' income from work is directly linked to their contribution in work. The combined effect of these two things is that the workers' enthusiasm is greatly mobilized and the development of the rural economy at an unprecedented rate is promoted.

The substitution of taxes for profits and the implementation of contractual responsibility systems, which are being carried out by industrial and commercial enterprises all over our country, are basic forms of implementation of economic responsibility systems. The contractual responsibility systems reflect the overall relations of responsibility, power and interests of the two contracting parties, namely, the state and the enterprise. The current substitution of taxes for profits mainly reflects the relations of distribution of profits between the state and the enterprise. The state's participation in the distribution of the profits of enterprises under ownership by the whole people, through the currently adopted forms of taxation, has the following several characteristics.

First, a steady growth in the income of the state and the enterprise can be guaranteed, with the state being entitled to a major proportion of net income.

Second, from the viewpoint of development, the substitution of taxes for profits promotes the separation of administrative authorities from the enterprises. After the guaranteed fulfillment of the task of paying taxes to the state, the enterprises can relatively independently carry out their own operational activities under the guidance of state planning, so that they can change from a type of enterprise which solely engages in production into a type of enterprise which carries out both production and operations.

Third, the current measures in substituting taxes for profits constitute the first step in substitution of taxes for profits. They focus on ensuring the state's fiscal revenue, with tax rates determined according to the amount of profits already generated. The role of taxation as an economic lever for regulating production in the enterprises has not been brought into play. Therefore,

we should vigorously make preparations to take a transition from the present forms of taxation to a complete and thorough taxation system.

3. On the Principle of Distribution Whereby Profits are Divided into "a Large Share, a Medium Share, and a Small Share"

The so-called question of "a large share, a medium share, and a small share" is a specific and vivid expression of the principle of giving due consideration to the interests of the state, the enterprise and the individual. In the distribution of the enterprises' net profits, why must the state be entitled to a large share?

First, theoretically speaking, the state has a double identity. It is not only the political entity of socialism, but also performs economic functions and represents the economy under ownership by the whole people. Therefore, in the distribution of net income, it must get a share which is compatible with its role and functions, that is, the so-called large share.

Second, from the viewpoint of practice, the socialist state's fiscal revenue must not only ensure spending in the areas of administration, military affairs, cultural and educational undertakings, medical and health services, social welfare, and so on, but must also ensure satisfaction of the state's need in building key construction projects. Without possessing funds necessary for building key construction projects, the state will not be able to affect the overall economic situation and ensure planned national economic development. In particular, ours is an economically and culturally backward large country. Energy resources, communications, science, education, and so on, are weak links in our national economic development. To attain the strategic goal set for the end of this century, we must amass an adequate amount of funds to go ahead with key strategic undertakings such as energy resources, communications, science, education, and so on.

Third, let us consider the question from the viewpoint of historical experience. In 1978, our country continued to use the old system of centralized collection of revenue and centralized spending. Fiscal revenue then accounted for 37.2 percent of the national income. This percentage was obviously too high. Since the Third Plenary Session of the CPC Central Committee, with the reform of economic systems, the expansion of enterprises' decisionmaking power, and the increase in retained profits, the ratio of fiscal revenue to national income fell to 28.4 percent in 1980 and further to 25.8 percent in 1982. If the income from treasury bills was deducted, the ratio was less than 25 percent. This ratio was obviously too low, so that it was difficult to ensure the satisfaction of the need in building key construction projects.

As to the proportion of enterprise profits turned over to the state, aside from its relation to the nature of the ownership system being practiced, it depends to a large extent on the level of labor productivity and the quantities of surplus products. For example, taxes paid by the agricultural sector only account for around 8 percent of the state's fiscal revenue, and the income generated by agricultural workers goes largely to the individuals and the collectives, with the state getting only a small share. Such a proportion of distribution

between the state, the collective and the individual is due not to the practice of the collective ownership system, but to the very low agricultural labor productivity. Out of the wealth created annually, little is left after the satisfaction of the consumption needs of the year. Moreover, to improve the peasants' livelihood, the state promotes the restoration and development of agricultural production, adopts a policy of allowing the peasants to rest and build up strength, and tries its best to reduce the peasants' burdens.

What is the appropriate proportion of profits to be retained by state enterprises? Should it be determined according to the principle of considering the accumulation funds and consumption funds needed by the enterprises to carry out the necessary technological transformation and to appropriately increase collective [welfare] on the basis of development of production? Should the enterprises have the necessary financial resources needed for their own development? Overly rigid control and failure to give the enterprises adequate financial resources needed for expanded reproduction will be disadvantageous to the socialist modernization cause. This question should be studied in depth. In the light of our country's experience over the past 4 years in practicing economic responsibility systems, it seems appropriate that over 80 percent of the profits of state industrial and commercial enterprises should be turned over to the state, and the enterprises should generally retain around 15 percent of the profits.

The workers' personal remuneration for work should increase with the development of production and the raising of labor productivity. Only thus can workers be encouraged to have concern for the development of production in consideration of material interests.

However, what is the appropriate proportion of workers' personal distributed income should be in the newly generated net profits is also a very complicated question. In principle, the increase in workers' income should not exceed the growth in labor productivity. However, the increase in commodity price indices, or, more accurately, the rise in the cost of living indices, must be deducted. Over the past several years, we have paid attention to this question in our reform of economic systems. With the development of production and the increase in profits, various enterprises have adopted systems of rewards based on the size of workers' contributions. This has promoted the enthusiasm of the vast numbers of workers. However, there are also many problems. First, there have been uncontrolled overpayments of bonuses. Over the past several years, the rate of increase of bonuses has exceeded the rate of increase of labor productivity and profits, leading to an overly rapid growth in consumption funds and an excessive quantity of money in society, while the supply of consumer goods has not been able to keep pace with the growth in workers' needs which are supported by their ability to pay. Second, in two different aspects, the payment of bonuses has violated the principle of distribution according to work done, leading to the fruitless spending of huge sums of money. For one thing, egalitarianism in the distribution of bonuses actually turns bonuses into additional wages; and, for another thing, some enterprises have set much too low base figures in implementing systems of responsibility for task completion with profits as reward, so that profits based on overfulfillment of quotas can be reaped with the expenditure of only a small quantity of labor, and workers can get an

overly large amount of bonuses. Thus, it turns out that those enterprises which are well run are penalized, as the saying goes: "The cow that ploughs the land last is whipped." Workers who make great contributions earn less bonuses, while the workers of some enterprises earn more by virtue of the enterprises' backwardness. Consequently, some enterprises do not want to increase income through arduous and solid work, but want to increase income by taking advantage of loopholes in matters of prices, management, and so on. These problems must be gradually solved by rectifying the enterprises, strengthening management by means of fixed quotas, and integrating these measures with wage readjustment and wage-system reform.

CSO: 4006/122

GENERAL

THEORY OF CHINESE-STYLE ECONOMIC SYSTEM

HK200001 Beijing JINGJI GUANLI in Chinese No 10, 5 Oct 83 pp 32-34

[Article by Wang Zhuo [3769 3820]: "Theoretical Basis of Chinese-Style Economic System"]

[Text] 1. The Principal Contradiction in Our Country's Economic System

For many years, the principal contradiction in our country's economic system has been "leftism." This is mainly reflected in the fact that our planned economy is suited to the production of products, and is not one that is compatible with the production of commodities, so that it has surpassed the level of development of our country's productive forces. This kind of "leftism" is specifically reflected in the following two aspects.

First, the basic characteristics of the overall structure of our country's existing economic system are that there is "no separation between administrative authorities and the enterprises"; it negates the enterprise's status in being a relatively independent producer of commodities; it negates the enterprise's status in being an entity which should carry out operations; and it forces the enterprises to become appendages of administrative authorities. The result is isolation of various departments from one another, isolation of departments from localities, and isolation of cities from the countryside. With the production relations of public ownership thus disintegrated, systems of ownership by departments or by localities have been formed; with the inherent links between producers of social commodities thus severed, both monopolization and the erection of blockades have occurred, and various localities and departments have been delimited as bulwarks, and, unified industrial organization is broken up and the socialist unified market is carved up. Thus, the development of the socialist production of commodities and the development of social productive forces have been restrained.

Second, the theoretical basis is that the internal structure of the state-ownership sector can only allow the existence of a single level of joint labor and distribution according to work done. Only joint labor and distribution according to work done within the scope of society are acknowledged, not those within the scope of the enterprise. To sum up, the two levels of joint labor and distribution according to work done are not both acknowledged; only a single level within the scope of society is acknowledged. Only exchange of

labor at equal quantities is acknowledged, not the integration of exchange of labor at equal quantities with exchange at equal value. This theoretical basis applies to a planned economic system that produces products, but not to one that produces commodities.

2. The Goal of Our Country's Economic System Reform

The aim of analyzing the principal contradiction in our country's existing economic system is to discover a goal of our country's economic system reform. It appears that there are but three goals that we can choose from:

First, the existing economic system model, that is, the model of a product-producing planned economic system, is to be basically preserved, with some necessary improvements. The conclusion is: "the planned economy must be adhered to and also improved." That is, only the planning system needs to be changed while the original economic system model is preserved.

Second, an economic system model that allows workers to exercise autonomy, that is, the model of a commodity-producing market-economy system, is to be adopted. This means going from one extreme, namely, the product-producing planned economy with its corresponding systems, to the other extreme, namely, the commodity-producing market economy. Few people now advocate this goal.

Third, we can discover a model of a Chinese-style economic system--a model of commodity-producing planned economy. To implement the Chinese-style commodity-producing planned economic system, we must explore its theoretical basis. Once people can consciously master this theoretical mainstay, our country's economic system reform will be supported by a unified ideological weapon. Then, we can get rid of various obstacles, adhere to our correct goal, and successfully advance!

3. The Basic Content of the Theoretical Basis for the Chinese-Style Economic System

I think the basic content of the theoretical basis for the Chinese-style economic system includes the theory of planned economy, the theory of commodity production, and the theory of their interrelationships.

1. On the Theory of Commodity Production

There must be new breakthroughs and new development in the theory of socialist commodity production. During the new economic policy period, Lenin pointed out that commodity production was linked to small peasant producers. According to Stalin, commodity production was linked to the two basic forms of public ownership of the means of production. I think we must break through the traditional argument which takes ownership structure as the sole theoretical basis of commodity production, and we must develop it into the argument that ownership structure and the internal structure of state ownership should be taken as the theoretical basis for the existence of the socialist production of social commodities. Only thus can we provide a theoretical answer to questions of the "outer commodity covering" theory of the means of production.

(1) The interrelationship between the two levels: joint labor and distribution according to work done within the scope of society, and joint labor and distribution according to work done within the scope of the enterprise, is a relation of "integration of centralization with decentralization." Centralization refers to the relations of ownership. That is, the enterprise-labor conglomerate is subordinate to the society-labor conglomerate; society is the core and main body of the economy and it exercises the economic function of directly allocating labor and the means of production (in a socialist society, this economic function of society is exercised by the state). Decentralization refers to the level of operation. The enterprise-labor conglomerate exists as a level of operation and it plays the leading role.

(2) The interrelationship between units in the level of enterprise-labor conglomerate is a commodity relation of mutual independence and exchange at equal value. An enterprise produces and exchanges commodities. Stalin's commodity-production theory has based only on the structure of ownership of the means of production. Therefore, only the exchange between the state sector of the economy and the collective economy, not the exchange within the state sector of the economy, was acknowledged by him as an exchange of commodities. He held that the means of production belonged to the state, and the state could not exchange commodities with itself; and therefore, the means of production could not be regarded as commodities. Since they were not commodities, the means of production naturally had no value. Only labor and distribution according to work done within the scope of society, not those within the scope of the enterprise, were acknowledged. Such as the basis of the "outer commodity covering" theory.

By examining the relation between the state and the enterprise in connection with the relation between various enterprises, we can inevitably draw the following conclusions: First, inter-enterprise exchange is an exchange of commodities and not a matter of outer commodity covering, and production in state enterprises is a production of commodities; second, judging from the relations between the enterprise and the state, socialist state enterprises are relatively independent, not completely independent, commodity producers.

II. On the Theory of Planned Economy

Usually speaking, our country practices the planned economy on the basis of public ownership. Of course, this statement is correct. However, in-depth analysis reveals that with public ownership alone, we are not necessarily able to practice planned economy, because public ownership is not the sole theoretical basis of the planned economy. I think we need one more condition, namely: joint labor within the state-ownership structure. Without joint labor and distribution according to work done within the scope of society, there will not be sufficient conditions for practicing the planned economy even if we have public ownership. For example, if we acknowledge only level of joint labor and distribution according to work done corresponding to the scope of the enterprise, but not that level, which is of leading importance, corresponding to the scope of society, then, we can only practice the market economy, but not the planned economy.

III. On the Theory of the Relation Between Commodity Production and the Planned Economy

The theoretical basis for the new economic system model is that in socialist society, commodity production and the planned economy are unified, not contradictory. The reasons are:

(1) The reason why capitalist commodity production stands in contradiction to the planned economy does not lie in commodity production itself, but in the capitalist private ownership with its wage labor system and the resulting contradiction between socialized production and private ownership. Capitalist commodity production is socialized large-scale production pertinent to a society with relatively well-developed division of labor. Its very nature calls for conscious social regulation. However, capitalist private ownership does not permit this conscious social regulation.

(2) Does planned economy preclude commodity production? I think it may or may not. The reason why planned economy may preclude commodity production does not lie in the planned economy itself, but in the internal structure of state ownership. The basic characteristic of this structure is that only the first level of joint labor and distribution according to work done corresponding to the scope of the state, but not the second level corresponding to the scope of the enterprise, is acknowledged.

The planned economy may not preclude commodity production. This also does not depend on the planned economy itself, but on what type of internal structure of state ownership we have. If this structure includes two levels, the planned economy will inevitably be firmly based on the realm of commodity production and will regulate the operation of socialist commodity production. Then, the anarchic state of commodity production can be avoided and the national economy can enjoy proportionate and coordinated development.

(3) The organic integration of the planned economy with commodity production must be realized through a design of the overall structure of the Chinese-style economic system. I think this structure includes two levels: the basic structure and the upper-level structure.

The economic system's basic structure consists of a main body and two flanks. What we can the main body is production, [as received] that is, the socialist sectors of production such as industry, agriculture, communications, and so on. These sectors of production must constitute an organizational system of production according to the principles and forms of operation of commodity production. One of what we call the two flanks refers to circulation, that is, an organizational system of circulation, which embraces commodities, goods and materials, and domestic and external trade, and which is organized according to the principle of socialist commodity production. The other flank is distribution, which include three levels: the first level governs national income distribution; the second level governs the distribution of the state's fiscal funds; and the third level concerns the enterprises' finance. These three levels with the financial sector and the foreign exchange system constitute the organizational system of distribution.

In the basic structure, the three major organizational systems of production, circulation and distribution must be designed according to the principle and mode of operation of commodity production. We must adopt a structure of a network-like economic system, which is characterized by separation of administrative authorities from the enterprises, which brings into play the role of urban centers and economic regions as economic networks, and which brings about coordination between various departments, between departments and localities, and between cities and the countryside, so as to replace the structure of the chessboard-like economic system, which is characterized by non-separation between administrative authorities and the enterprises, and by isolation of departments from one another, isolation of departments from localities, and isolation of cities from the countryside.

The economic system's upper-level structure reflects the state's role in carrying out economic functions. This upper-level structure consists of three parts: the management system, the economic regulation system, and the economic supervision system. This is the basic condition for, and a guarantee of, the successful practicing of the planned economy. However, the organic integration of the planned economy with commodity production is possible only if the design of the economic system's upper-level structure is coordinated with the design of the economic system's basic structure.

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